SunOpta Inc.
Form 10-Q
August 07, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2009**
Commission File No. 0-9989

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

SUNOPTA INC.
(Exact name of registrant as specified in its charter)

CANADA
(Jurisdiction of Incorporation)

Not Applicable
(I.R.S. Employer Identification No.)

2838 Bovaird Drive West
Brampton, Ontario L7A 0H2, Canada
(Address of Principal Executive Offices)

(905) 455-1990
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

At July 28, 2009 registrant had 64,846,560 common shares outstanding, the only class of registrant's common stock outstanding. There were no other classes of stock outstanding and the aggregate market value of voting stock held by non-affiliates at such date was $141,651,559. The Company s common shares are traded on the NASDAQ National Market tier of the NASDAQ Stock Market under the symbol STKL and on the Toronto Stock Exchange under the symbol SOY.

SUNOPTA INC.
FORM 10-Q
For the quarter ended June 30, 2009

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All financial information is expressed in United States Dollars. The closing rate of exchange on July 28, 2009 was CDN $1 = U.S. $0.9233.

Forward-Looking Statements

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and include words or phrases such as management anticipates, we believe, we anticipate, we expect, we plan, we will, a and phrases of similar impact and include, but are not limited to references to business strategies, competitive strengths, goals, capital expenditure plans, business and operational growth plans and references to the future growth of the business. These forward-looking statements are made pursuant to the safe harbor provisions of the Private

Securities Litigation Reform Act of 1995. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its interpretation of current conditions, historical trends and expected future developments as well as other factors that the Company believes are appropriate in the circumstance.

Whether actual results and developments will agree with expectations and predictions of the Company is subject to many risks and uncertainties including, but not limited to, general economic, business, weather or market risk conditions; the achievement of business forecasts; the outcome of any pending litigation; competitive actions by other companies; changes in laws or regulations or policies of local governments, provinces and states as well as the governments of the United States and Canada, many of which are beyond the control of the Company. Consequently all forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized. Please refer to the Company s most recent Annual Report on Form 10-K as well as item 1A in this report for a fuller discussion of the risks facing the Company and its operations.

PART I - FINANCIAL INFORMATION

Item 1 -

Condensed Consolidated Financial Statements

SunOpta Inc.

For the Three and Six Months Ended June 30, 2009

(Unaudited)

SunOpta Inc.

Condensed Consolidated Statements of Operations
For the three months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009 $	June 30, 2008 $
Revenues	**257,725**	291,945
Cost of goods sold	**219,644**	246,077
Gross profit	**38,081**	45,868
Warehousing and distribution expenses	**4,494**	5,448
Selling, general and administrative expenses (note 14)	**27,279**	34,700
Intangible asset amortization	**1,332**	1,508
Other expense, net	**109**	-
Foreign exchange gain	**(982)**	(1,279)
Earnings before the following	**5,849**	5,491
Interest expense, net	**3,470**	3,601
Earnings before income taxes	**2,379**	1,890
Provision for income taxes	**833**	473
Earnings for the period	**1,546**	1,417
(Loss) earnings for the period attributable to non-controlling interests	**(234)**	698
Earnings for the period attributable to SunOpta Inc.	**1,780**	719
Earnings per share for the period (note 5)		
Basic	**0.03**	0.01
Diluted	**0.03**	0.01

(See accompanying notes to condensed consolidated financial statements)

SunOpta Inc.
Condensed Consolidated Statements of Operations
For the six months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009 $	June 30, 2008 $
Revenues	**489,799**	522,389
Cost of goods sold	**418,071**	436,320
Gross profit	**71,728**	86,069
Warehousing and distribution expenses	**8,955**	10,894
Selling, general and administrative expenses (note 14)	**54,131**	62,511
Intangible asset amortization	**2,763**	2,766
Other income, net	**(77)**	-
Foreign exchange loss (gain)	**281**	(991)
Earnings before the following	**5,675**	10,889
Interest expense, net	**6,341**	6,501
(Loss) earnings before income taxes	**(666)**	4,388
(Recovery of) provision for income taxes	**(233)**	1,122
(Loss) earnings for the period	**(433)**	3,266
(Loss) earnings for the period attributable to non-controlling interests	**(556)**	1,061
Earnings for the period attributable to SunOpta Inc.	**123**	2,205
Earnings per share for the period (note 5)		
Basic	**0.00**	0.03
Diluted	**0.00**	0.03

(See accompanying notes to condensed consolidated financial statements)

SunOpta Inc.

Condensed Consolidated Statements of Comprehensive Earnings
For the three months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009 $	June 30, 2008 $
Earnings for the period	**1,546**	1,417
Currency translation adjustment	**6,946**	1,717
Change in fair value of interest rate swap, net of tax	**271**	163
Other comprehensive income for the period, net of tax	**7,217**	1,880
Comprehensive earnings for the period	**8,763**	3,297
Comprehensive earnings for the period attributable to non-controlling interest	**51**	698
Comprehensive earnings for the period attributable to SunOpta Inc.	**8,712**	2,599

(See accompanying notes to condensed consolidated financial statements)

SunOpta Inc.

Condensed Consolidated Statements of Comprehensive Earnings
For the six months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009 $	June 30, 2008 $
(Loss) earnings for the period	**(433)**	3,266
Currency translation adjustment	**2,410**	695
Change in fair value of interest rate swap, net of tax	**320**	(224)
Other comprehensive income for the period, net of tax	**2,730**	471
Comprehensive earnings for the period	**2,297**	3,737
Comprehensive (loss) earnings for the period attributable to non- controlling interest	**(570)**	1,061
Comprehensive earnings for the period attributable to SunOpta Inc.	**2,867**	2,676

(See accompanying notes to condensed consolidated financial statements)

SunOpta Inc.

Consolidated Balance Sheets
As at June 30, 2009 and December 31, 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009 $	December 31, 2008 $
Assets		
Current assets		
Cash and cash equivalents (note 11)	**21,592**	24,755
Short-term investments (note 12)	**1,500**	-
Accounts receivable	**106,014**	95,129
Inventories (note 3)	**194,933**	200,689
Prepaid expenses and other current assets	**20,631**	14,448
Current income taxes recoverable	**1,293**	595
Deferred income taxes	**5,209**	493
	351,172	336,109
Property, plant and equipment	**112,999**	110,641
Goodwill	**55,121**	54,022
Intangible assets	**61,860**	63,161
Deferred income taxes	**11,931**	16,160
Other assets	**925**	954
	594,008	581,047
Liabilities		
Current liabilities		
Bank indebtedness (note 6)	**78,087**	67,164
Accounts payable and accrued liabilities	**112,075**	106,989
Customer and other deposits	**725**	1,228
Other current liabilities	**4,197**	4,437
Current portion of long-term debt (note 7)	**28,459**	12,174
Current portion of long-term liabilities	**-**	1,362
	223,543	193,354
Long-term debt (note 7)	**78,928**	99,353
Long-term liabilities	**4,784**	5,017
Deferred income taxes	**13,359**	13,614
	320,614	311,338
Preferred shares of a subsidiary company	**27,991**	27,796
Equity		
SunOpta Inc. shareholders equity		

Capital stock (note 4)	**178,270**	177,858
64,846,560 common shares (December 31, 2008 64,493,320)		
Additional paid in capital (note 4)	**7,463**	6,778
Retained earnings	**41,032**	40,909
Accumulated other comprehensive income	**4,010**	1,266
	230,775	226,811
Non-controlling interest (note 1)	**14,628**	15,102
Total equity	**245,403**	241,913
	594,008	581,047
Commitments and contingencies (note 9)		

(See accompanying notes to condensed consolidated financial statements)

SunOpta Inc.

Condensed Consolidated Statements of Shareholders Equity
As at and for the six months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	Capital stock $	Additional paid in capital $	Retained earnings $	Accumulated other comprehensive income $	Non-controlling interest $	Total $
Balance at December 31, 2008	**177,858**	**6,778**	**40,909**	**1,266**	**15,102**	**241,913**
Employee share purchase plan and compensation grants	**412**	**-**	**-**	**-**	**-**	**412**
Stock-based compensation	**-**	**685**	**-**	**-**	**-**	**685**
(Loss) earnings for the period	**-**	**-**	**123**	**-**	**(556)**	**(433)**
Non-controlling interest contributions	**-**	**-**	**-**	**-**	**96**	**96**
Currency translation adjustment	**-**	**-**	**-**	**2,531**	**(121)**	**2,410**
Change in fair value of interest rate swap, net of tax	**-**	**-**	**-**	**213**	**107**	**320**
Balance at June 30, 2009	**178,270**	**7,463**	**41,032**	**4,010**	**14,628**	**245,403**

	Capital stock $	Additional paid in capital $	Retained earnings $	Accumulated other comprehensive (loss) income $	Non-controlling interest $	Total $
Balance at December 31, 2007	176,547	5,967	51,845	20,618	13,863	268,840
Options exercised	260	-	-	-	-	260
Stock-based compensation	-	729	-	-	-	729
Earnings for the period	-	-	2,205	-	1,061	3,266
Non-controlling interest contributions	-	-	-	-	111	111
Currency translation adjustment	-	-	-	695	-	695
Change in fair value of interest rate swap, net of tax	-	-	-	(224)	-	(224)
Balance at June 30, 2008	176,807	6,696	54,050	21,089	15,035	273,677

(See accompanying notes to condensed consolidated financial statements)

SunOpta Inc.

Condensed Consolidated Statements of Cash Flow
For the three months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009 $	June 30, 2008 $
Cash provided by (used in)		
Operating activities		
Earnings for the period	**1,546**	1,417
Items not affecting cash		
Amortization	**4,904**	5,135
Unrealized loss on foreign exchange	**291**	389
Deferred income taxes	**1,861**	(413)
Other	**1,243**	934
Changes in non-cash working capital, net of businesses acquired (note 8)	**1,630**	(13,780)
	11,475	(6,318)
Investing activities		
Acquisition of businesses, net of cash acquired	**-**	(4,111)
Decrease (increase) in short-term investments	**15,000**	(20,000)
Purchases of property, plant and equipment, net	**(4,255)**	(3,164)
Payment of deferred purchase consideration	**(1,000)**	(255)
Purchase of patents, trademarks and other intangible assets	**(138)**	(32)
Other	**(2,282)**	117
	7,325	(27,445)
Financing activities		
(Decrease) increase in line of credit facilities	**(2,756)**	12,129
Proceeds from the issuance of common shares	**214**	41
Repayment of long-term debt	**(2,510)**	(2,296)
Other	**(8)**	16
	(5,060)	9,890
Foreign exchange gain (loss) on cash held in a foreign currency	**447**	(5)
Increase (decrease) in cash and cash equivalents during the period	**14,187**	(23,878)
Cash and cash equivalents beginning of the period	**7,405**	33,001
Cash and cash equivalents end of the period	**21,592**	9,123

Supplemental cash flow information (notes 8, 11 and 12)

(See accompanying notes to condensed consolidated financial statements)

SunOpta Inc.

Condensed Consolidated Statements of Cash Flow
For the six months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009 $	June 30, 2008 $
Cash provided by (used in)		
Operating activities		
(Loss) earnings for the period	**(433)**	3,266
Items not affecting cash		
Amortization	**9,635**	9,513
Unrealized (gain) loss on foreign exchange	**(234)**	389
Deferred income taxes	**63**	75
Other	**768**	996
Changes in non-cash working capital, net of businesses acquired (note 8)	**(2,844)**	(25,207)
	6,955	(10,968)
Investing activities		
Acquisition of businesses, net of cash acquired	**-**	(4,111)
Increase in short-term investments	**(1,500)**	(20,000)
Purchases of property, plant and equipment, net	**(8,843)**	(5,530)
Payment of deferred purchase consideration	**(1,500)**	(755)
Purchase of patents, trademarks and other intangible assets	**(202)**	(122)
Other	**(2,232)**	169
	(14,277)	(30,349)
Financing activities		
Increase in line of credit facilities	**9,246**	16,981
Borrowings under long-term debt	**716**	13,075
Proceeds from the issuance of common shares	**412**	260
Repayment of long-term debt	**(6,529)**	(10,253)
Other	**61**	100
	3,906	20,163
Foreign exchange gain (loss) on cash held in a foreign currency	**253**	(25)
Decrease in cash and cash equivalents during the period	**(3,163)**	(21,179)
Cash and cash equivalents beginning of the period	**24,755**	30,302
Cash and cash equivalents end of the period	**21,592**	9,123

Supplemental cash flow information (notes 8, 11 and 12)

(See accompanying notes to condensed consolidated financial statements)

SunOpta Inc.

Notes to Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

1.

Basis of presentation and new accounting pronouncements

The interim condensed consolidated financial statements of SunOpta Inc. (the Company) have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and in accordance with accounting principles generally accepted in the United States of America. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included and all such adjustments are of a normal, recurring nature. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009. For further information, see the Company s consolidated financial statements, and notes thereto, included in the Annual Report on Form 10-K for the year ended December 31, 2008.

The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries, and have been prepared on a basis consistent with the financial statements for the year ending December 31, 2008. Intercompany accounts and transactions have been eliminated on consolidation.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)). SFAS No. 141(R) establishe principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. In addition, SFAS No. 141(R) establishes recognizing contingent consideration at the acquisition date measured at its fair value. SFAS No. 141(R) became effective for the Company January 1, 2009, but did not have a significant impact on the Company s consolidated financial statements.

Pursuant to FASB Staff Position (FSP) SFAS 157-2 Effective Date of FASB Statement No. 157 , the Company adopted SFAS157 for non-financial assets and liabilities that are recognized on a non-recurring basis effective January 1, 2009. The adoption of this standard did not have a significant impact on the Company s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership in subsidiaries held by parties other than the parent, the amount of consolidated earnings attributable to the parent and to the non-controlling interest, changes in a parent s ownership interest, and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS No. 160 became effective January 1, 2009. As required by SFAS No. 160, the Company has retrospectively applied the presentation to prior year balances and has added disclosures to its consolidated balance sheets, consolidated statements of shareholders equity and consolidated statements of cash flows, as well as creating a new consolidated statement of comprehensive (loss) earnings, as a result of adopting this standard.

During March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging

Activities an amendment of FASB Statement No. 133 (SFAS 161) . SFAS 161 expands and disaggregates the disclosure requirements in SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) . The disclosure provisions of SFAS 161 apply to all entities with derivative instruments subject to SFAS 133 and also apply to related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. SFAS 161 requires an entity with derivatives to disclose how and why it uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS 133; and how derivative instruments and related hedged items affect the entity s financial position, financial performance, and cash flows. Entities must provide tabular disclosures of the location, by line item, of amounts of gains and losses reported in the consolidated statements of operations. SFAS No. 161 became effective for the Company January 1, 2009. See note 13 for enhanced note disclosures as a result of adopting this standard.

SunOpta Inc.

Notes to Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

1.

Basis of presentation and new accounting pronouncements continued

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS No. 162). SFAS No. 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP for non-governmental entities. SFAS No. 162 will be effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles . The Company will consider this standard when evaluating future transactions to which it would apply.

In May 2008, the FASB issued Financial Accounting Standard 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 provides guidance on the renewal or extension assumptions used in the determination of useful life of a recognized intangible asset. The intent of FSP 142-3 is to better match the useful life of the recognized intangible asset to the period of expected cash flow used to measure its fair value. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company will consider this standard when evaluating future transactions to which it would apply.

In December 2008, the FASB issued FSP No. 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets, (FSP No. 132(R)-1). FSP No. 132(R)-1 amends SFAS No. 132 to provide guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The additional required disclosures focus on fair value by category of plan assets. This FSP is effective for fiscal years ending after December 15, 2009. The Company does not expect a material impact on its financial statements when these additional disclosure provisions are adopted.

In April 2009, the FASB issued FSP No. 107-1 and Accounting Practice Bulletin 28-1, Interim Disclosures about Fair Value of Financial Instruments. This FSP requires disclosures of fair value for any financial instruments not currently reflected at fair value on the balance sheet for all interim periods. This FSP is effective for interim and annual periods ending after June 15, 2009 and should be applied prospectively. As a result of adopting this FSP, the Company added disclosures to note 7 regarding the fair value of its term debt.

In April 2009, the FASB issued FSP No. 115-2 and SFAS 124-2, Recognition and Presentation of Other Than Temporary Impairments. This FSP is intended to bring greater consistency to the timing of impairment recognition, and provide greater clarity to investors about the credit and noncredit components of impaired debt securities that are not expected to be sold. This FSP also required increased and more timely disclosure regarding expected cash flows and should be applied prospectively. The Company does not expect any material financial statement implications relating to the adoption of this FSP.

In April 2009, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 111 which aligns SEC regulations to the newly issued accounting standards FSP No. 115-2 and 124-2 on accounting for other-than-temporary impairments for marketable debt securities. Specifically, it amends Topic 5.M to exclude debt securities from its scope. The Company will consider this standard when evaluating future transactions to which it would apply.

In April 2009, the FASB issued FSP SFAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP SFAS 141(R)-1). FSP SFAS 141(R)-1 amends and clarifies previously issued guidance to address application issues regarding the initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP SFAS 141(R)-1 is applicable to acquisitions completed after January 1, 2009. The Company will consider this standard when evaluating future transactions to which it would apply.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS 165). SFAS 165 requires entities to disclose the date through which they have evaluated subsequent events and whether the date corresponds with the release of their financial statements. SFAS 165 is effective for interim and annual periods ending after June 15, 2009. The Company has adopted this standard, evaluating for subsequent events to August 6, 2009.

In June 2009, the SEC issued SAB No. 112 which updates the SEC s rules and regulations to be consistent with the accounting principles and standards established in SFAS 141(R) and SFAS 160. The adoption of SAB No. 112 did not have a significant impact on the consolidated financial statements.

SunOpta Inc.
Notes to Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

1.

Basis of presentation and new accounting pronouncements continued

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor s continuing involvement in transferred financial assets. Specifically, among other aspects, SFAS 166 amended SFAS 140 by removing the concept of a qualifying special-purpose entity from SFAS 140 and removes the exception from applying FASB Interpretation Number 46(R), Consolidation of Variable Interest Entities (revised December 2003) an interpretation of ARB No. 51 (FIN 46(R) to variable interest entities that are qualifying special-purpose entities. It also modifies the financial-components approach used in SFAS 140. SFAS 166 is effective for transfer of financial assets occurring on or after January 1, 2010. The Company will consider this standard when evaluating future transactions to which it would apply. Historically, the Company has not had any material transfers of financial assets.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 amends FIN 46(R) to require an enterprise to determine whether its variable interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of a variable interest entity is the enterprise that has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance, and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. SFAS 167 also amends FIN 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS 167 is effective for all variable interest entities and relationships with variable interest entities existing as of January 1, 2010. The Company will consider this standard when evaluating future transactions to which it would apply.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (SFAS 168). SFAS 168 will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related accounting literature. SFAS 168 reorganizes the thousands of GAAP pronouncements into approximately 90 accounting topics and displays them using a consistent structure. SFAS 168 will be effective for financial statements issued for reporting periods that end after September 15, 2009. The adoption of SFAS 168 will have disclosure impacts on the Company s financial statements, as all future references to authoritative accounting literature will be referenced in accordance with the new standard.

SunOpta Inc.
Notes to Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2009 and 2008
Unaudited
(Expressed in thousands of U.S. dollars, except per share amounts)

2.

Business acquisitions

During the year ended December 31, 2008, the Company and its less than wholly owned subsidiary completed a total of two acquisitions. These acquisitions have been accounted for using the purchase method and the consolidated financial statements include the results of operations for these businesses from the date of acquisition. The following represents the final purchase accounting for these acquisitions.

	TOC (a)	MCP Mg-Serbien SAS (b)
Net assets acquired		
Cash	1,205	297
Current assets	49,494	1,463
Property, plant and equipment	1,167	325
Goodwill	9,734	4,594
Intangible assets	9,251	-
Other long-term assets	359	57
Current liabilities	(44,854)	(5,434)
Deferred income tax liability	(2,687)	-
Other long-term liabilities	(216)	-
Long-term debt	(1,502)	-
	21,951	1,302
Consideration		
Cash consideration including transaction costs	5,467	1,302
Due to former shareholders	1,562	-
Subordinated debt payable to former shareholders	4,685	-
Deferred consideration	10,237	-
	21,951	1,302

(a)

The Organic Corporation

On April 2, 2008, the Company acquired 100% of the outstanding common shares of The Organic Corporation B.V., operating as Tradin Organic Agriculture B.V. ("TOC") for total consideration of €14,055 (U.S - $21,951), including acquisition costs of €500 (U.S - $781). At closing, the Company paid €6,000 (U.S - $9,371) in cash and concurrently received €3,000 (U.S $4,685) by way of subordinated debt payable to the former shareholders. A promissory note for €1,000 (U.S - $1,562) was also issued bearing interest at 7.0% which is payable March 31, 2010 (note 7(g)). Additional consideration payable in cash on March 31, 2010 will be the greater of €8,000 (U.S - $12,494) or 2.5 times 2009 EBITDA (as defined in the purchase and sale agreement). After the closing of the purchase, the Company and the former TOC shareholders signed an agreement to extend the payment of the additional €8,000 consideration and €3,000 subordinated debt to October 31, 2010. As security pending payment of the promissory note and additional consideration, the Company pledged 100% of the outstanding common shares of TOC to the former shareholders. Due to its non-contingent nature, the present value of the deferred consideration has been included in the total consideration. Any payment in excess of €8,000 will be recorded when the amount can be reasonably determined and would result in an increase in the goodwill related to this acquisition. As a result of TOC s opening balance sheet not meeting pre-determined working capital targets the additional consideration owing on October 31, 2010 will be reduced by €403 (U.S. -$629).

The intangible assets, consisting of customer relationships, customer order backlog and non-compete agreements, acquired in this acquisition are not deductible for income tax purposes and are being amortized over their estimated useful lives between one and twelve years. The acquisition served as an entry point for the Company into the European and other global markets from both the supply and sales side of our sourcing and trading operations, and accordingly, $9,734 of goodwill has been included in the net assets acquired. Goodwill acquired in this acquisition is not deductible for tax purposes.

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2.

Business acquisitions continued

Headquartered in Amsterdam, the Netherlands, TOC is a provider of globally sourced organic food ingredients and a key supplier of a wide variety of organic products including frozen fruits and vegetables, dried fruits, coffee, cocoa, cereals, rice, soy, beans and more. This acquisition has been consolidated since its April 2, 2008 acquisition date and is included in the SunOpta International Sourcing and Trading Group.

(b)

MCP Mg-Serbien SAS

On July 9, 2008, Opta Minerals acquired 67% of the outstanding common shares of MCP Mg-Serbien SAS (MCP) of France for total consideration of $1,302, including acquisition costs of $152. The acquisition continued to expand Opta Mineral s business capabilities into Europe and complemented existing operations which supply a wide range of magnesium-based desulphurization products. As a result, $4,594 of goodwill has been included in the net assets acquired. Goodwill acquired in this acquisition is not deductible for tax purposes.

MCP operates a production facility in Romans-sur-Isere, France, producing and selling ground magnesium products. This acquisition has been consolidated since its July 9, 2008 acquisition date, and is included in the Opta Minerals segment.

(c)

Pro forma data (unaudited)

The condensed pro forma consolidated statements of operations reflect all acquisitions completed in 2008 as if they were completed on January 1, 2008. There were no acquisitions completed in the first six months of 2009.

	Three months ended June 30, 2008 $
Pro forma revenues	293,431
Pro forma earnings for the period	711
Pro forma earnings per share	
Basic	0.01
Diluted	0.01

	Six months ended June 30, 2008 $

Pro forma revenues	558,065
Pro forma earnings for the period	2,359
Pro forma earnings per share	
Basic	0.04
Diluted	0.04

3.

Inventories

	June 30, 2009 $	**December 31, 2008 $**
Raw materials and work-in-process	**65,455**	84,821
Finished goods	**126,669**	114,787
Company-owned grain	**12,229**	10,936
Inventory reserve	**(9,420)**	(9,855)
	194,933	200,689

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4.

Capital stock and additional paid in capital

	June 30, 2009 $	December 31, 2008 $
Capital stock	**178,270**	177,858
Additional paid in capital	**7,463**	6,778

(a) In the six month period ended June 30, 2009, employees and directors exercised nil (June 30, 2008 64,780) common share options and an equal number of common shares were issued for net proceeds of $nil (June 30, 2008 - $260).

(b) In the six month period ended June 30, 2009, 350,740 (June 30, 2008 nil) common shares were issued for net proceeds of $410 (June 30, 2008 - $nil) as part of the Company s employee share purchase plan.

(c) In the six month period ended June 30, 2009, 1,078,000 (June 30, 2008 nil) options were granted to employees and directors at prices ranging from $0.91 to $1.92 (June 30, 2008 - $nil). The fair value of the options granted in the six month period ended June 30, 2009 was $1,135 (June 30, 2008 $nil) estimated using the Black-Scholes option-pricing model with the assumptions of a dividend yield of 0%, an expected volatility of 70.6%, a risk-free interest rate of 2.00%, and an expected life of six years, and then reflecting an expected forfeiture rate of 15%.

(d) In the six month period ended June 30, 2009, the Company recognized stock-based compensation of $685 (June 30, 2008 - $729) related to the Company s stock option plans.

(e) The Company s Chief Executive Officer received an award of 10,000 common shares of the Company s stock in the first quarter of 2007. One-quarter of the total award was granted on February 8, 2007, with the remaining three-quarters of the total award to be issued in equal instalments on the anniversary through February 8, 2010. As a result, 2,500 common shares were issued from treasury in the first quarter of 2009, and the Company recorded $2 (2008 - $nil) of stock-based compensation in the six months ended June 30, 2009.

5.

Earnings per share

The calculation of basic earnings per share is based on the weighted average number of shares outstanding. Diluted earnings per share reflect the dilutive effect of the exercise of options. The number of shares for the diluted earnings per share was calculated as follows:

	Three months ended	Six months ended

	June 30, 2009 $	June 30, 2008 $	June 30, 2009 $	June 30, 2008 $
Earnings for the period attributable to SunOpta Inc.	**1,780**	719	123	2,205
Weighted average number of shares used in basic earnings per share	**64,736,632**	64,211,284	64,637,674	64,187,785
Dilutive potential of the following:				
Employee/director stock options	**115,184**	38,239	104,226	81,786
Dilutive impact of share consideration	**-**	606,204	-	606,204
Diluted weighted average number of shares outstanding	**64,851,816**	64,855,727	64,741,900	64,875,775
Earnings per share:				
Basic	**0.03**	0.01	0.00	0.03
Diluted	**0.03**	0.01	0.00	0.03

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5.

Earnings per share continued

In the fourth quarter of 2008, the Company and former shareholders of TOC (note 2), modified a clause of the purchase and sale agreement. Initially, €2,000 was to be settled in common shares of the Company on March 31, 2010 (subsequently renegotiated to October 31, 2010); however, this agreement was modified such that the consideration will be settled in cash. As a result, the dilutive impact of share consideration of 606,204 common shares no longer existed.

In the three and six month periods ended June 30, 2009, options to purchase 1,970,875 common shares (June 30, 2008 1,252,200 and 1,137,200, respectively) were excluded from the calculation of diluted earnings per share due to their anti-dilutive effect.

6.

Bank indebtedness

	June 30, 2009 $	**December 31, 2008 $**
Canadian line of credit facility (a)	**292**	134
U.S. line of credit facility (b)	**49,255**	28,344
Opta Minerals Canadian line of credit facility (c)	**7,965**	7,797
TOC line of credit facilities (d)	**20,575**	30,889
	78,087	67,164

On April 30, 2009, the Company negotiated certain amendments to its syndicated banking facilities. The amendments include a reduction in the maximum availability under the Canadian Line of Credit Facility from Cdn $25,000 to Cdn $20,000, as well as an increase in the interest rate premium charged on outstanding balances, which is based on certain financial ratios of the Company. In addition, the Canadian and U.S. Line of Credit facilities were extended from June 30, 2009 to December 31, 2009.

(a)

Canadian Line of Credit Facility:

At June 30, 2009, the Company has a Canadian line of credit of Cdn $20,000 (U.S. $17,197). As of June 30, 2009, $292 (2008 -$134) of this facility was utilized, and there were no amounts committed through letters of credit. Interest on borrowings under this facility accrues at the borrower s option based on various reference rates including Canadian or U.S. bank prime, or Canadian bankers acceptances, plus a margin based on certain financial ratios. At June 30, 2009, the interest rate on this facility was 7.50%, calculated as Canadian prime plus a premium of 5.25%. The maximum availability of this line is based on a borrowing base which includes certain accounts receivables and inventories of the Company s Canadian business as defined in the Credit Agreement. At June 30, 2009, the borrowing base supported draws to the maximum line of credit.

(b)

U.S. Line of Credit Facility:

The Company has a U.S. line of credit of $60,000. As at June 30, 2009, $49,739 (2008 - $28,377) of this facility was utilized, including $484 (2008 - $33) committed through letters of credit. Interest on borrowings under this facility accrues at the borrower s option based on various reference rates including U.S. bank prime, or U.S. LIBOR, plus a margin based on certain financial ratios. At June 30, 2009, the weighted average interest rate on this facility was 5.57%, based on U.S. LIBOR loans plus a premium of 5.25%. The maximum availability of this line is based on the borrowing base which includes certain accounts receivables and inventories of the Company s U.S. business as defined in the Credit Agreement. At June 30, 2009, the borrowing base supported draws to the maximum line of credit.

The above facilities and long-term loans (note 7) are collateralized by a first priority security against substantially all of the Company s assets in both Canada and the United States, excluding the assets of Opta Minerals, SunOpta BioProcess and TOC.

The Company has certain financial covenants that are calculated quarterly. See note 7 for a discussion of the Company s compliance with respect to these covenants.

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6.

Bank indebtedness continued

(c)

Opta Minerals Canadian Line of Credit Facility:

Opta Minerals has a line of credit facility of Cdn $15,000 (U.S. - $12,898). At June 30, 2009, Cdn $10,323 (U.S. - $8,876) (2008 Cdn $10,569 (U.S. - $8,677)) of this facility has been utilized, including letters of credit in the amount of $911 (2008 - $880). Interest on borrowings under this facility accrues at the borrower s option based on various reference rates including prime, U.S. dollar base rate, bankers acceptances or LIBOR plus a margin based on certain financial ratios of the Company. At June 30, 2009, the weighted average interest rate on this facility was 8.00% (2008 5.25%).

Opta Minerals line of credit facility, along with its unused portion of the revolving acquisition facility (note 7(e)), is subject to annual extensions. On July 30, 2009 the Company and its lenders negotiated certain amendments to its banking facilities (note 7). The amendments include an increase in the interest rate premium charged on outstanding balances, which is based on certain financial ratios of the Company, as well as amendments to certain financial covenant thresholds.

(d)

TOC Line of Credit Facilities:

TOC has a line of credit facility of €30,000 (U.S. - $42,087). At June 30, 2009 €17,527 (U.S. - $24,588) (2008 - €22,904 (U.S. -$31,953) of this facility had been utilized, including letters of credit in the amount of €2,861 (U.S. $4,013) (2008 - €763 (U.S. $1,064)). Interest on borrowings under this facility accrues at the borrower s option based on various reference rates including U.S. LIBOR and Euro LIBOR plus a premium 1.85%. At June 30, 2009, the weighted average interest rate on this facility was 2.79%. The maximum availability of this line is based on a borrowing base which includes certain accounts receivables and inventories of TOC and its subsidiaries. At June 30, 2009, the borrowing base securing this facility supported draws to €21,710 (U.S. - $30,457) (2008 - €23,111 (U.S. $32,242)).

7.

Long-term debt

	June 30, 2009 $	**December 31, 2008 $**
Syndicated Lending Agreement:		
Term loan facility (a)	**45,000**	45,000

Non-revolving acquisition facility (b)	**5,700**	6,300
Acquisition facility (c)	**13,650**	15,600
Other Long-Term Debt:		
Opta Minerals term loan facility (d)	**8,867**	8,980
Opta Minerals revolving acquisition facility (e)	**12,239**	11,835
Subordinated debt to former shareholders of TOC (f)	**4,981**	4,643
Promissory notes (g)	**16,613**	18,722
Term loan payables (h)	**170**	273
Capital lease obligations (i)	**167**	174
	107,387	111,527
Less: Current portion	**28,459**	12,174
	78,928	99,353

On April 30, 2009, the Company negotiated certain amendments to its syndicated banking facilities. The amendments include a permanent waiver to certain financial covenants at March 31, 2009, amended covenants for June 30, 2009, September 30, 2009 and December 31, 2009, the cancellation of the revolving portion of the Revolving Acquisition Facility, as well as an increase in the interest rate premium charged on outstanding balances, which is based on certain financial ratios of the Company.

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7.

Long-term debt continued

On July 30, 2009, Opta Minerals and its lenders negotiated certain amendments to its banking facilities. The amendments include adjustments to certain financial covenant thresholds, a reduction in the maximum availability under the revolving acquisition facility (note 7(e)) to Cdn $14,043 (U.S. - $12,075), and an increase in the interest rate premium charged on outstanding balances, which is based on certain financial ratios of the Company.

Details of the Company s long-term debt are as follows:

(a)

Term loan facility:

The term loan facility balance at June 30, 2009 was $45,000 (2008 - $45,000). The entire loan principal is due December 20, 2010 and, at that time, is renewable at the option of the lenders and the Company. Interest on the term loan facility is payable at a fixed rate of 6.44% plus a margin of up to 385 basis points based on certain financial ratios of the Company. As at June 30, 2009, the interest rate was 10.29% (2008 8.94%). The fair value of the term loan facility at June 30, 2009 approximates the book value of $45,000.

(b)

Non-revolving acquisition facility:

The non-revolving acquisition facility balance at June 30, 2009 was $5,700 (2008 - $6,300). Minimum quarterly repayment amounts are $300, with any remaining outstanding principal balance due in May 2010. At June 30, 2009, the interest rate on this facility was 5.85%, calculated as LIBOR plus a premium of 5.25 % (2008 4.25%).

(c)

Acquisition facility:

The acquisition facility balance at June 30, 2009 was $13,650 (2008 - $15,600). Principal quarterly repayments are $975 with any remaining principal balance due in May 2010. At June 30, 2009, the interest rate on this facility was 5.85% (2008 8.96%), calculated as LIBOR plus a premium of 5.25% (2008 4.25%).

The above term loan facility, non-revolving acquisition facility, acquisition facility and the U.S. line of credit facility (note 6), are collateralized by a first priority security against substantially all of the Company s assets in Canada, the United States and Mexico, excluding the assets of Opta Minerals, SunOpta BioProcess and TOC.

(d)

Opta Minerals Term Loan Facility:

The term loan facility has a maximum available borrowing amount of Cdn $12,500 (U.S. - $10,748). This facility matures on July 30, 2012, is renewable at the option of the lender and Opta Minerals, and has quarterly principal repayments of Cdn $312 (U.S. - $268). The outstanding balance on the term loan facility at June 30, 2009 was Cdn $10,312 (U.S. $8,867) (2008 Cdn $10,938 (U.S. - $8,980)). At June 30, 2009, the weighted average interest rate on this facility was 5.18% (2008 5.11%).

(e)

Opta Minerals Revolving Acquisition Facility:

At June 30, 2009 the revolving acquisition facility has a maximum available borrowing amount of Cdn $20,000 (U.S. - $17,197) to finance future acquisitions and capital expenditures. On July 30, 2009 the Company and its lenders negotiated certain amendments to its banking facilities that resulted in a reduction in the maximum available borrowing amount under the revolving acquisition facility to Cdn $14,043 (U.S. - $12,075). Principal is payable quarterly equal to 1/40 of the drawdown amount. Any remaining outstanding principal under this facility is due upon maturity. The outstanding balance on the revolving acquisition facility at June 30, 2009 was Cdn $14,234 (U.S. - $12,239) (2008 Cdn $14,415 (U.S. - $11,835)). At June 30, 2009, the weighted average interest rate on this facility was 4.28% (2008 4.75%).

The credit facilities described above are collateralized by a first priority security against substantially all of the Opta Minerals assets in both Canada and the United States.

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7.

Long-term debt continued

Opta Minerals entered into a cash flow hedge in 2007. The cash flow hedge entered into exchanged a notional amount of Cdn $17,200 (U.S. - $14,789) from a floating rate to a fixed rate of 5.25% from August 2008 to August 2012. The estimated fair value of the interest rate swap at June 30, 2009 was a loss of $1,526 (December 31, 2008 loss of $1,984). The incremental gain in fair value of $320 (net of taxes of $138) has been recorded in other comprehensive income for the six month period ended June 30, 2009. The fair value of this liability is included in long-term liabilities on the consolidated balance sheets.

(f)

Subordinated debt to former shareholders of TOC:

In conjunction with the acquisition of TOC on April 2, 2008, its former shareholders provided a subordinated loan to TOC in the amount of €3,000 (U.S. - $4,209). The loan bears interest at 7% and is payable to the former shareholders on a semi-annual basis. The subordinated loan, as well as €453 (U.S. - $636) previously loaned to TOC, is repayable in full on October 31, 2010. Additionally, a related party to the former shareholders holds a demand loan with TOC in the amount of €500 (U.S. - $701) which bears interest at 7.0% payable on a quarterly basis. As a result of TOC s opening balance sheet not meeting predetermined working capital targets, €403 (U.S. - $565) of this subordinated loan will not be paid. Other notes issued to former shareholders are unsecured.

(g)

Promissory Notes:

Promissory notes consist of notes issued to former shareholders as a result of business acquisitions bearing a weighted average interest rate of 6.6% (2008 6.4%), due in varying installments through 2012 with principal repayments of $3,555 (2008 -$3,773) due in the next 12 months. As a result of the acquisition of TOC, the Company issued a total of €9,000 (U.S. - $12,626) in promissory notes, which are secured by a pledge of the common shares of TOC. Of the €9,000 (U.S. - $12,626) issued, €1,000 (U.S. - $1,403) bears an interest rate of 7.0%. The Company and the former TOC shareholders signed an amendment to the purchase and sale agreement extending the repayment date for the €8,000 (U.S. - $11,223) of promissory notes to October 31, 2010.

(h)

Term Loans Payable:

Term loans payable bear a weighted average interest rate of 4.9% (2008 4.7%) due in varying installments through 2010 with principal payments of $125 due in the next 12 months.

(i)

Capital Lease Obligations:

Capital lease obligations due in monthly payments, with a weighted average interest rate of 6.9% (2008 7.0%).

The long-term debt and capital leases described above have required repayment terms in the next five years ending June 30 as follows:

2010	$	28,459
2011		62,965
2012		2,775
2013		2,745
2014		2,509
Thereafter		7,934
	$	107,387

As part of its syndicated lending agreements, the Company is required to maintain compliance with certain financial covenants. At June 30, 2009, the Company was in compliance with these financial covenants, which relate to the Canadian line of credit facility, the U.S. line of credit facility (notes 6(a) and (b)), as well as the term loan facility, non-revolving acquisition facility and the acquisition facility.

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8.

Supplemental cash flow information

	Three months ended		Six months ended	
	June 30, 2009 $	**June 30, 2008 $**	**June 30, 2009 $**	**June 30, 2008 $**
Changes in non-cash working capital:				
Accounts receivable	**(2,450)**	(10,014)	**(9,860)**	(24,793)
Inventories	**(2,628)**	(23,629)	**4,921**	(25,894)
Income tax recoverable	**(812)**	1,193	**(698)**	1,783
Prepaid expenses and other current assets	**(1,406)**	2,161	**(1,863)**	1,538
Accounts payable and accrued liabilities	**10,803**	19,282	**5,159**	22,843
Customer and other deposits	**(1,877)**	(2,773)	**(503)**	(684)
	1,630	(13,780)	**(2,844)**	(25,207)
Cash paid for:				
Interest	**3,206**	3,123	**5,849**	5,922
Income taxes	**622**	1,368	**285**	1,378

9.

Commitments and contingencies

(a)

Class action lawsuits

The Company and certain officers (one of whom is a director) and a former director were named as defendants in proposed class action lawsuits in the United States. These lawsuits were filed between January 28, 2008 and March 19, 2008 in the United States District Court for the Southern District of New York. These actions were also filed against two Company Officers, one of whom is a director, as well as a former director who was named in certain actions. The Company was alleged to have violated Section 10(b) of the 1934 Securities Exchange Act and Rule 10b-5 promulgated by the United States Securities and Exchange Commission (SEC). Additionally, the named officers and directors (one of whom is a former director) were alleged to have violated Section 20(a) of the 1934 Securities Exchange Act. The complaints alleged different proposed class periods. They have now been consolidated into one class action with lead plaintiffs. On January 28, 2009, the Court appointed Western Washington Laborers-Employers Pension Trust and Operating Engineers Construction Industry and Miscellaneous Pension Fund (the Pension Funds) as the lead plaintiffs in one consolidated class action aggregating the various class action lawsuits. On April 14, 2009, the lead plaintiffs filed their consolidated and amended complaint in the US District Court in the Southern District of New York. The new complaint includes new allegations under Sections 11, 12 and 15 of the Securities Act of 1933 as well as four new individual defendants, two of whom are former senior management employees (one also a former director and officer), one is a current director and chairman and one is currently a senior employee. The new complaint also added three corporate defendants namely, Cleugh s Frozen

Foods, Inc., Pacific Fruit Processors, Inc. and Organic Ingredients, Inc., former subsidiaries of the Company, and now part of the merged subsidiary, SunOpta Fruit Group, Inc.

Similarly, one proposed class action lawsuit has also been filed in Canada in the Ontario Superior Court of Justice on behalf of shareholders who acquired securities of the Company between May 8, 2007 and January 25, 2008 against the Company and certain officers (one of whom is a director), alleging misrepresentation and proposing to seek leave from the Ontario court to bring statutory misrepresentation civil liability claims under the Ontario Securities Act. On August 29, 2008, the plaintiff filed a motion to amend the claims against the Company to include additional allegations. The Canadian plaintiffs claim compensatory damages of Cdn $100,000 and punitive damages of Cdn $10,000 and other monetary relief. Recently, all parties including the US and Canadian plaintiffs, the defendants as well as Chubb, the Company s insurer, agreed to attempt to settle the class actions through mediation. The mediation was held on July 8, 2009 at the JAMS New York Resolution Center in the City of New York before a single mediator. No settlement has yet been reached, although the parties are in the process of negotiation. All proposed actions and motions including the Canadian motion for class certification and leave to pursue statutory claims as well as proposed discoveries were either suspended or deferred pending the outcome of the mediation. In the event a settlement is not reached, management s intention is to vigorously defend these actions. Given the current status of the class actions and the mediation, it is not possible to determine the probability of liability, if any, or estimate the loss, if any, that might arise from these lawsuits. Accordingly, no accrual has been made at this time for these contingencies.

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9.

Commitments and contingencies continued

(b)

Formal investigation by the SEC

In 2008 the Company received letters from the SEC requesting additional information in connection with the restatement of the Company s filings for each of the quarterly periods ended March 31, 2007, June 30, 2007, and September 30, 2007. Additionally, the SEC has started the process of conducting interviews with certain current and past employees as well as current and former members of the Company s Audit Committee. The Company continues to cooperate with the requests from the SEC in connection with its formal investigation. An enforcement action by the SEC could result in expense in the form of sanctions, fines or other levies. Management cannot conclude whether the prospect of an unfavourable outcome in this matter is probable, or estimate the loss, if any, that might arise from any enforcement action taken against the Company or its officers. Accordingly, no accrual has been made at this time for this contingency.

(c)

SunOpta BioProcess lawsuit against Abengoa and Abener arbitration

The Company commenced a suit on January 17, 2008, against Abengoa New Technologies Inc. (Abengoa) and a former employee of SunOpta Inc. alleging theft of trade secrets, breach of contract, tortious interference with contract and civil conspiracy, and filed motions for expedited discovery and a preliminary injunction. Abengoa has filed a counterclaim alleging breach of contract, misappropriation of trade secrets and other contractual violations. The United States District Court, Eastern District of Missouri, recently referred the core claims to arbitration and stayed the other claims pending the outcome of the arbitration. The arbitration was held during the period of July 20 to July 24 inclusive, in St. Louis before a single arbitrator and is scheduled to resume and be completed during the week of October 19, 2009. While management is confident in its position, the outcome of this matter cannot be predicted at this time.

In January 2008, a customer of ours, Abener Energia S.A. (an affiliate of Abengoa), terminated a contract valued at approximately $7,000 for the delivery of equipment and related services, forcing the matter into arbitration under its provisions. In December 2008, the arbitrator rendered his final decision partially allowing Abener s claim and awarded Abener approximately 1,329 (U.S. - $1,864) in damages. Abener s Canadian counsel has brought an application in Ontario for the enforcement of the award, and a hearing was held on June 12, 2009 in the Ontario Superior Court of Justice in Toronto, Ontario. The decision was rendered shortly thereafter in support of the enforcement of the award. While the Company is investigating the possibility of an appeal, it is likely that payment of the award will have to be made. The amount awarded to Abener has been accrued for on the consolidated balance sheets.

(d)

Vargas Class Action

In September 2008, a single plaintiff and a former employee, Abelardo Vargas, filed a wage and hour dispute, against SunOpta Fruit Group, Inc., as a class action alleging various violations of California s labour laws. On July 16, 2009, the parties attended a mediation in San Francisco, and no settlement was reached. Management intends to vigorously defend this action, unless a settlement can be reached to minimize the ongoing costs of litigation. Management cannot conclude whether the prospect of an unfavourable outcome in this matter is probable, or estimate the loss, if any, that might arise from any enforcement action taken against the Company or its officers. Accordingly, no accrual has been made at this time for this contingency.

(e)

Other claims

In addition, various claims and potential claims arising in the normal course of business are pending against the Company. It is the opinion of management that these claims or potential claims are without merit and the amount of potential liability, if any, to the Company is not determinable. Management believes the final determination of these claims or potential claims will not materially affect the financial position or results of the Company.

10.

Segmented information

The Company operates in three industries divided into eight operating segments:

(a) **SunOpta Food Group (Food Group)** sources, processes, packages, markets and distributes a wide range of natural, organic, kosher and specialty food products and ingredients with a focus on soy, corn, sunflower, fruit, fiber and other natural and organic food and natural health products. There are five segments in the Food Group:

i) **SunOpta Grains and Foods Group (Grains and Foods Group)** is focused on vertically integrated sourcing, processing, packaging and marketing of grains, grain-based ingredients and packaged products;

ii) **SunOpta Ingredients Group (Ingredients Group)** is focused on insoluble oat and soy fiber products and works closely with its customers to identify product formulation, cost and productivity opportunities aimed at transforming raw materials into value-added food ingredient solutions;

iii) **SunOpta Fruit Group (Fruit Group)** consists of berry processing and fruit base operations that process natural and organic frozen strawberries, peaches, mangos and other fruits and vegetables into bulk, ingredients and packaged formats for the food service, private label retail and industrial ingredient markets. The Group also includes the Healthy Fruit Snacks operations which produce natural and organic apple- based fruit snacks;

iv) **SunOpta International Sourcing and Trading Group (IST)** sources raw material ingredients, as well as trades organic commodities. In addition, the Group provides natural and organic food solutions to major global food manufacturers, distributors and supermarket chains with a variety of industrial and private label retail products; and

v) **SunOpta Distribution Group (Distribution Group)** represents the final layer of the Company s vertically integrated natural and organic foods business model. This group operates a national natural, organic and specialty foods and natural health products distribution network in Canada and also processes and packages retail natural health products.

(b) **Opta Minerals** processes, distributes and recycles silica-free loose abrasives, roofing granules, industrial minerals and specialty sands for the foundry, steel, roofing shingles and bridge and ship-cleaning industries.

(c) **SunOpta BioProcess** provides a wide range of research and development and engineering services and owns numerous patents on its proprietary steam explosion technology. It designs and subcontracts the manufacture of these systems, which are used for processing biomass for use in the paper, biofuel and food industries.

(d) **Corporate Services** provides a variety of management, financial, information technology, treasury and administrative services to the operating segments from the head office in Ontario, Canada, and information and shared services offices in Minnesota.

Effective July 1, 2008, the Company removed TOC and SunOpta Global Organic Ingredients (SGOI) from the SunOpta Fruit Group and created a new segment called the SunOpta International Sourcing and Trading Group. These segments reflect how the Company manages the business, and distinguishes between the processing of fresh fruit and vegetables primarily in the southern United States and Mexico, and the sourcing and processing of organic products from outside North America. The segmented information for the three and six month periods ended June 30, 2008 has been updated to reflect the current year s segment presentation.

Also effective July 1, 2008, the Company allocated the former SunOpta BioProcess and Corporate Group into two segments: SunOpta BioProcess and Corporate Services. In previous periods, the Company had combined these two segments, as revenues of SunOpta BioProcess were less than 1% of consolidated revenues. The segmented information for the three and six month periods ended June 30, 2008 has been updated to reflect the current year s segment presentation.

10.

Segmented information continued

The Company s assets, operations and employees are principally located in Canada, the United States, Mexico, Europe, China and Africa. Revenues are allocated to the United States, Canada and Europe and other external markets based on the location of the customer. Other expense (income), net, interest expense, net, and provision for (recovery of) income taxes are not allocated to the segments.

					Three months ended June 30, 2009
	Food Group	Opta Minerals	SunOpta BioProcess	Corporate Services	Consolidated
	$	$	$	$	$
External revenues by market:					
United States	111,273	9,140	89	-	120,502
Canada	65,559	3,175	-	-	68,734
Europe and other	66,434	2,025	30	-	68,489
Total revenues from external customers	243,266	14,340	119	-	257,725
Segment earnings (loss) before the following	7,794	(109)	(836)	(891)	5,958
Other expense, net					109
Interest expense, net					