

SunOpta Inc.  
Form 10-Q  
November 12, 2015

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended **October 3, 2015**

OR

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

For the transition period from to .

**Commission file number: 001-34198**

**SUNOPTA INC.**

(Exact name of registrant as specified in its charter)

**CANADA**

(State or other jurisdiction of incorporation or  
organization)

**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 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 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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

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

The number of the registrant's common shares outstanding as of November 6, 2015 was 85,339,007.

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**SUNOPTA INC.**  
**FORM 10-Q**  
**For the quarterly period ended October 3, 2015**

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Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q ( "Form 10-Q" ) to the Company , SunOpta , we , us , our or similar words and phrases are to SunOpta Inc. and its subsidiaries, taken together.

In this report, all currency amounts are expressed in thousands of United States ( "U.S." ) dollars ( "\$" ), except per share amounts, unless otherwise stated. Amounts expressed in Canadian dollars are expressed in thousands of Canadian dollars and preceded by the symbol "Cdn \$", and amounts expressed in euros are expressed in thousands of euros and preceded by the symbol "€". As at October 3, 2015, the closing rates of exchange for the U.S. dollar, expressed in Canadian dollars and euros, were \$1.00 = Cdn \$1.3164 and \$1.00 = €0.8925. These rates are provided solely for convenience and do not necessarily reflect the rates used in the preparation of our financial statements.

### Forward-Looking Statements

This Form 10-Q contains forward-looking statements which are based on our current expectations and assumptions and involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and are typically accompanied by words such as "anticipate", "estimate", "intend", "project", "potential", "continue", "believe", "expect", "could", "would", "should", "might", "plan", "will", "may", "predict", "estimate", and words and phrases of similar impact and include, but are not limited to references to our recent acquisitions of Sunrise Holdings (Delaware) Inc. ( "Sunrise" ), Niagara Natural Fruit Snack Company Inc. ( "Niagara Natural" ) and Citrusource, LLC ( "Citrusource" ), including, without limitation, transaction values, future financial and operating results, plans, objectives, expectations and intentions, and other statements that are not historical facts; possible operational consolidation; reduction of non-core assets and operations; business strategies; plant and production

capacities; revenue generation potential; anticipated construction costs; competitive strengths; goals; capital expenditure plans; business and operational growth and expansion plans; anticipated operating margins and operating income targets; gains or losses associated with business transactions; cost reductions; rationalization and improved efficiency initiatives; proposed new product offerings; and references to the future growth of our business and global markets for our products. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on certain assumptions, expectations and analyses we make in light of our experience and our interpretation of current conditions, historical trends and expected future developments, as well as other factors that we believe are appropriate in the circumstances.

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Whether actual results and developments will agree with and meet our expectations and predictions is subject to many risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from our expectations and predictions. We believe these factors include, but are not limited to, the following:

- our ability to successfully integrate the operations of Sunrise, Niagara Natural and Citrusource into our business and, once integrated, the effects of these acquisitions on our future financial condition, operating results, strategy and plans, including the impact of the substantial additional debt incurred to finance these acquisitions and our ability to achieve the estimated synergies from these acquisitions;
- our ability to retain key management and employees of Sunrise, Niagara Natural and Citrusource;
- our ability to renew our North American credit facilities when they become due on January 27, 2017;
- restrictions in our credit agreements on how we may operate our business;
- our ability to meet the covenants of our credit facilities or to obtain necessary waivers from our lenders;
- the ability of Opta Minerals Inc. ( Opta Minerals ) to continue to operate as a going concern and our ability to recover the carrying value of our investment in Opta Minerals;
- that our European credit facilities are due on demand with no set maturity date;
- that our customers may choose not to buy products from us;
- loss of one or more key customers;
- changes and difficulty in predicting consumer preferences for natural and organic food products;
- the highly competitive industry in which we operate;
- an interruption at one or more of our manufacturing facilities;
- the loss of service of our key management;
- labor shortages or increased labor costs;
- the effective management of our supply chain;
- volatility in the prices of raw materials and energy;
- enactment of climate change laws;
- unfavorable growing and operating conditions due to adverse weather conditions;
- dilution in the value of our common shares through the exercise of stock options, participation in our employee stock purchase plan and issuance of additional securities;
- impairment charges in goodwill or other intangible assets;



technological innovation by our competitors;

our ability to protect our intellectual property and proprietary rights;

substantial environmental regulation and policies to which we are subject;

significant food and health regulations to which SunOpta Foods is subject;

agricultural policies that influence our operations;

product liability suits, recalls and threatened market withdrawals that may be brought against us;

litigation and regulatory enforcement concerning marketing and labeling of food products;

our exposure to our international operations;

the performance of Sunrise, Niagara Natural and Citrusource following the closing of these acquisitions;

that we do not currently intend to, and are restricted in our ability to, pay any cash dividends on our common shares in the foreseeable future;

fluctuations in exchange rates, interest rates and the prices of certain commodities;

our ability to effectively manage our growth and integrate acquired companies; and

the volatility of our operating results and share price.

All forward-looking statements made herein are qualified by these cautionary statements, and our actual results or the developments we anticipate may not be realized. We do not undertake any obligation to update our forward-looking statements after the date of this report for any reason, even if new information becomes available or other events occur in the future, except as may be required under applicable securities law. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and our Annual Report on Form 10-K for the fiscal year ended January 3, 2015. Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found under Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended January 3, 2015, under Item 1A. Risk Factors of this report, and in our other filings with the U.S. Securities and Exchange Commission and the Canadian Securities Administrators.

**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****SunOpta Inc.**

## Consolidated Statements of Operations

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	October 3, 2015	Quarter ended October 4, 2014	October 3, 2015	Three quarters ended October 4, 2014
	\$	\$	\$	\$
		(note 1)		(note 1)
<b>Revenues</b>	306,007	307,887	916,681	957,841
<b>Cost of goods sold</b>	275,375	271,774	819,447	842,688
<b>Gross profit</b>	30,632	36,113	97,234	115,153
Selling, general and administrative expenses	23,756	23,461	69,882	71,337
Intangible asset amortization	1,284	1,023	3,610	3,234
Other expense (income), net (note 10)	4,033	11	6,165	(993)
Foreign exchange gain	(613)	(600)	(1,614)	(377)
<b>Earnings from continuing operations before the following</b>	2,172	12,218	19,191	41,952
Interest expense, net	1,919	1,970	6,835	6,128
Impairment loss on investment (note 11)	-	8,441	-	8,441
<b>Earnings from continuing operations before income taxes</b>	253	1,807	12,356	27,383
Provision for (recovery of) income taxes	(411)	2,267	5,969	12,290
<b>Earnings (loss) from continuing operations</b>	664	(460)	6,387	15,093
Earnings (loss) from discontinued operations, net of income taxes (note 4)	(128)	233	(262)	297
<b>Earnings (loss)</b>	536	(227)	6,125	15,390
Earnings (loss) attributable to non-controlling interests	222	157	(1,472)	426
<b>Earnings (loss) attributable to SunOpta Inc.</b>	314	(384)	7,597	14,964
<b>Earnings (loss) per share basic (note 12)</b>	0.01	(0.01)	0.12	0.22



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- from continuing operations				
- from discontinued operations	-	-	-	-
	-	(0.01)	0.11	0.22
<b>Earnings (loss) per share diluted</b> (note 12)				
- from continuing operations	0.01	(0.01)	0.11	0.21
- from discontinued operations	-	-	-	-
	-	(0.01)	0.11	0.21

(See accompanying notes to consolidated financial statements)

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**SunOpta Inc.**

## Consolidated Statements of Comprehensive Earnings

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars)

	October 3, 2015 \$	Quarter ended October 4, 2014 \$ (note 1)	October 3, 2015 \$	Three quarters ended October 4, 2014 \$ (note 1)
<b>Earnings (loss) from continuing operations</b>	664	(460)	6,387	15,093
Earnings (loss) from discontinued operations, net of income taxes	(128)	233	(262)	297
<b>Earnings (loss)</b>	536	(227)	6,125	15,390
Change in fair value of interest rate swap, net of taxes (note 5)	-	46	(129)	10
Reclassification adjustment for loss included in earnings (note 5)	-	-	339	-
Unrealized gain on interest rate swap, net	-	46	210	10
Currency translation adjustment	823	(3,656)	(3,009)	(4,126)
<b>Other comprehensive earnings (loss), net of income taxes</b>	823	(3,610)	(2,799)	(4,116)
<b>Comprehensive earnings (loss)</b>	1,359	(3,837)	3,326	11,274
Comprehensive earnings (loss) attributable to non-controlling interests	51	20	(1,787)	368
<b>Comprehensive earnings (loss) attributable to SunOpta Inc.</b>	1,308	(3,857)	5,113	10,906

(See accompanying notes to consolidated financial statements)

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**SunOpta Inc.**

## Consolidated Balance Sheets

As at October 3, 2015 and January 3, 2015

(Unaudited)

(Expressed in thousands of U.S. dollars)

	October 3, 2015	January 3, 2015
	\$	\$
		(note 1)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 13)	98,989	9,938
Accounts receivable	127,572	125,896
Inventories (note 6)	282,127	264,256
Prepaid expenses and other current assets (note 5)	17,450	18,935
Current income taxes recoverable	5,555	2,233
Deferred income taxes	6,080	8,107
	537,773	429,365
<b>Property, plant and equipment</b>	146,531	134,920
<b>Goodwill</b> (note 2)	47,344	29,082
<b>Intangible assets</b> (note 2)	51,814	40,640
<b>Deferred income taxes</b>	3,308	2,061
<b>Other assets</b> (note 5)	6,838	4,882
	793,608	640,950
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 7)	117,000	91,410
Accounts payable and accrued liabilities	134,712	128,437
Customer and other deposits	5,102	4,127
Income taxes payable	195	3,090
Other current liabilities (note 5)	1,825	3,087
Current portion of long-term debt (note 7)	28,622	5,927
Current portion of long-term liabilities (note 2)	5,261	250
	292,717	236,328
<b>Long-term debt</b> (note 7)	2,830	33,928
<b>Long-term liabilities</b> (notes 2 and 5)	19,527	1,962
<b>Deferred income taxes</b>	14,572	15,404
	329,646	287,622
<b>EQUITY</b>		
<b>SunOpta Inc. shareholders equity</b>		
Common shares, no par value, unlimited shares authorized, 85,333,892 shares issued and outstanding (January 3, 2015 -	298,329	190,668

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67,073,944) (note 9)		
Additional paid-in capital (note 3)	21,852	22,490
Retained earnings	136,906	129,309
Accumulated other comprehensive loss	(3,977)	(1,778)
	453,110	340,689
<b>Non-controlling interests</b>	10,852	12,639
<b>Total equity</b>	463,962	353,328
	793,608	640,950

(See accompanying notes to consolidated financial statements)

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**SunOpta Inc.**

## Consolidated Statements of Shareholders' Equity

As at and for the three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars)

	000s	Common shares \$	Additional paid-in capital \$	Retained earnings \$	Accumulated other com- prehensive loss \$	Non- controlling interests \$	Total \$
Balance at January 3, 2015	67,074	190,668	22,490	129,309	(1,778)	12,639	353,328
Issuance of common shares, net (note 8)	16,670	96,544	-	-	-	-	96,544
Employee stock purchase plan	36	451	-	-	-	-	451
Exercise of stock options	704	4,624	(1,597)	-	-	-	3,027
Exercise of warrants	850	6,042	(2,163)	-	-	-	3,879
Stock-based compensation	-	-	4,140	-	-	-	4,140
Earnings from continuing operations	-	-	-	7,859	-	(1,472)	6,387
Loss from discontinued operations, net of income taxes	-	-	-	(262)	-	-	(262)
Currency translation adjustment	-	-	-	-	(2,338)	(671)	(3,009)
Change in fair value of interest rate swap, net of income taxes and reclassification adjustment (note 5)	-	-	-	-	139	71	210
Acquisition of non-controlling interest (note 3)	-	-	(1,018)	-	-	285	(733)
<b>Balance at October 3, 2015</b>	85,334	298,329	21,852	136,906	(3,977)	10,852	463,962
	000s	Common shares \$	Additional paid-in capital \$	Retained earnings \$	Accumulated other com- prehensive income (loss) \$	Non- controlling interests \$	Total \$
Balance at December 28, 2013	66,528	186,376	19,323	116,208	3,397	17,308	342,612

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Employee stock purchase plan	44	470	-	-	-	-	470
Exercise of stock options	468	3,472	(946)	-	-	-	2,526
Stock-based compensation	-	-	2,884	-	-	-	2,884
Earnings from continuing operations	-	-	-	14,667	-	426	15,093
Earnings from discontinued operations, net of income taxes	-	-	-	297	-	-	297
Currency translation adjustment	-	-	-	-	(4,065)	(61)	(4,126)
Change in fair value of interest rate swap, net of income taxes (note 5)	-	-	-	-	7	3	10
<b>Balance at October 4, 2014</b>	<b>67,040</b>	<b>190,318</b>	<b>21,261</b>	<b>131,172</b>	<b>(661)</b>	<b>17,676</b>	<b>359,766</b>

(See accompanying notes to consolidated financial statements)

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**SunOpta Inc.**

## Consolidated Statements of Cash Flows

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars)

	October 3, 2015 \$	Quarter ended October 4, 2014 \$  (note 1)	October 3, 2015 \$	Three quarters ended October 4, 2014 \$  (note 1)
<b>CASH PROVIDED BY (USED IN)</b>				
<b>Operating activities</b>				
Earnings (loss)	536	(227)	6,125	15,390
Earnings (loss) from discontinued operations	(128)	233	(262)	297
Earnings (loss) from continuing operations	664	(460)	6,387	15,093
Items not affecting cash:				
Depreciation and amortization	5,741	5,489	16,703	16,347
Deferred income taxes	303	(947)	1,148	890
Stock-based compensation	1,901	1,079	4,140	2,884
Unrealized loss (gain) on derivative instruments (note 5)	(1,088)	1,802	(534)	2,021
Impairment loss on investment (note 11)	-	8,441	-	8,441
Loss (gain) on sale of assets (note 10)	126	(1,018)	19	(1,018)
Unrealized loss (gain) on contingent consideration (note 5)	156	-	238	(1,373)
Impairment of long-lived assets (note 10)	-	505	-	505
Other	304	191	2,020	7
Changes in non-cash working capital, net of businesses acquired (note 13)	14,565	3,245	(24,079)	(4,622)
Net cash flows from operations - continuing operations	22,672	18,327	6,042	39,175
Net cash flows from operations - discontinued operations	(128)	(327)	(262)	(589)
	22,544	18,000	5,780	38,586
<b>Investing activities</b>				

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Acquisition of businesses (note 2)	(6,475)	-	(19,775)	-
Purchases of property, plant and equipment	(7,373)	(5,109)	(22,812)	(12,565)
Acquisition of non-controlling interest (note 3)	-	-	(733)	-
Payment of contingent consideration (note 5)	-	-	(253)	(800)
Increase in long-term investment	-	(871)	-	(871)
Proceeds from sale of assets (note 10)	239	5,688	1,292	5,688
Other	(22)	(435)	(45)	(484)
Net cash flows from investing activities - continuing operations	(13,631)	(727)	(42,326)	(9,032)
Net cash flows from investing activities - discontinued operations	-	327	-	589
	(13,631)	(400)	(42,326)	(8,443)
<b>Financing activities</b>				
Increase (decrease) under line of credit facilities (note 7)	(6,309)	(15,973)	29,757	(29,538)
Borrowings under long-term debt (note 7)	-	-	-	210
Repayment of long-term debt (note 7)	(1,407)	(1,502)	(4,200)	(4,658)
Financing costs	(2,157)	-	(2,188)	-
Proceeds from the issuance of common shares, net (note 8)	95,344	-	95,344	-
Proceeds from the exercise of stock options	439	749	3,478	2,996
Proceeds from the exercise of warrants	-	-	3,879	-
Other	(179)	(75)	(459)	(154)
Net cash flows from financing activities - continuing operations	85,731	(16,801)	125,611	(31,144)
Foreign exchange loss on cash held in a foreign currency	(41)	(97)	(14)	(107)
Increase (decrease) in cash and cash equivalents in the period	94,603	702	89,051	(1,108)
Cash and cash equivalents - beginning of the period	4,386	6,727	9,938	8,537
	98,989	7,429	98,989	7,429



Cash and cash equivalents  
- end of the period

(See accompanying notes to consolidated financial statements)

**SUNOPTA INC.**

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**SunOpta Inc.**

Consolidated Statements of Cash Flows (continued)

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars)

	October 3, 2015	Quarter ended October 4, 2014	October 3, 2015	Three quarters ended October 4, 2014
	\$	\$	\$	\$
<b>Non-cash investing activities</b>				
Acquisition of business, working capital adjustment (note 2)	237	-	502	-
Acquisition of business, settlement of pre-existing relationship (note 2)	-	-	(749)	-
Acquisition of business, contingent consideration at fair value (note 2)	(2,330)	-	(22,330)	-
	(See accompanying notes to consolidated financial statements)			

**SUNOPTA INC.**

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**SunOpta Inc.**

Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

**1. Description of Business and Significant Accounting Policies**

SunOpta Inc. (the Company or SunOpta ) was incorporated under the laws of Canada on November 13, 1973. The Company operates businesses focused on a healthy products portfolio that promotes sustainable well-being. The Company operates in two industry segments, the largest being SunOpta Foods, which consists of two reportable segments, Global Ingredients and Consumer Products, that operate in the natural, organic and specialty food sectors and utilize an integrated business model to bring cost-effective and quality products to market. On October 9, 2015, the Company completed the acquisition of 100% of the issued and outstanding common shares of Sunrise Holdings (Delaware), Inc. ( Sunrise ), pursuant to a Purchase and Sale Agreement (the PSA ) dated July 30, 2015 (the Sunrise Acquisition ). For further information regarding the Sunrise Acquisition, including related financing, see notes 8 and 16.

In addition to SunOpta Foods, the Company owned approximately 66% of Opta Minerals Inc. ( Opta Minerals ) as at October 3, 2015 and January 3, 2015, on a non-dilutive basis. Opta Minerals produces, distributes and recycles industrial minerals, silica-free abrasives and specialty sands.

Over the last several years, Opta Minerals has periodically breached certain financial covenants under its credit agreement with a syndicate of lenders, including as at June 30, 2015 and September 30, 2015. As described in note 7, Opta Minerals obtained waivers from the lenders on August 11, 2015 in respect of the June 30, 2015 default and October 30, 2015, in respect of the September 30, 2015 default. In connection with these waivers, certain additional covenants were added from the date of the waivers through November 30, 2015. In addition, the lenders agreed to extend the maturity of Opta Minerals' revolving term credit facility to November 30, 2015.

Opta Minerals will require the continued support of its current financial lenders and, effective November 30, 2015, Opta Minerals will require another extension of its revolving credit facility and an additional waiver on future covenants, if breached, or an alternative source of financing. There can be no assurance that a further extension and additional waiver will be provided or that alternative sources of financing on terms favorable to Opta Minerals can be obtained to finance its operations and meet its obligations.

Opta Minerals' credit facilities are collateralized by a first priority security interest on substantially all of the assets of Opta Minerals, and are without recourse to SunOpta Inc.

The factors noted above may cast significant doubt as to Opta Minerals' ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and consolidated balance sheet classifications that might be necessary if Opta Minerals is unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material to the Company.

Opta Minerals' ability to continue to operate as a going concern could also have a significant impact on the Company's ability to recover the carrying value of its investment in Opta Minerals, which amounted to approximately \$25,000 as at October 3, 2015.

***Basis of Presentation***

The interim consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended, and in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ) for interim financial information. Accordingly, these condensed interim consolidated financial statements do not include all of the disclosures required by U.S. GAAP 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 quarter and three quarters ended October 3, 2015 are not necessarily indicative of the results that may be expected for the full year ending January 2, 2016 or for any other period. The interim consolidated financial statements include the accounts of the Company and its subsidiaries, and have been prepared on a basis consistent with the annual consolidated financial statements for the year ended January 3, 2015. For further information, refer to the consolidated financial statements, and notes thereto, included in the Company s Annual Report on Form 10-K for the fiscal year ended January 3, 2015.

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**SunOpta Inc.**

Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

***Comparative Balances***

Certain comparative balances have been reclassified to conform to the presentation adopted by the Company in the current fiscal year:

On December 22, 2014, the Company completed the sale of its fiber and starch business (the Fiber Business ), which has been presented as a discontinued operation in the consolidated financial statements for the quarter and three quarters ended October 4, 2014.

The Company has reclassified its investment in convertible subordinated notes of Enchi Corporation ( Enchi ), including the value ascribed to the embedded derivative attributable to the notes (see note 5), from investment to other assets (long-term) on the consolidated balance sheet as at January 3, 2015.

***Fiscal Year-End***

The fiscal year of the Company consists of a 52- or 53-week period ending on the Saturday closest to December 31. Fiscal year 2015 is a 52-week period ending on January 2, 2016, with quarterly periods ending on April 4, July 4 and October 3, 2015, while fiscal year 2014 was a 53-week period ending on January 3, 2015, with quarterly periods ending on April 5, July 5 and October 4, 2014.

The fiscal year of Opta Minerals ends on December 31, with its quarterly periods ending on March 31, June 30 and September 30.

***Recent Accounting Pronouncements***

In September 2015, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2015-16, Business Combinations Simplifying the Accounting for Measurement-Period Adjustments , which eliminates the current guidance that requires an acquirer in a business combination to account for measurement-period adjustments retrospectively as if the accounting for the business combination had been completed at the acquisition date. Instead, under the new guidance, an acquirer recognizes measurement-period adjustments in the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts that would have been recorded in previous periods if the accounting had been completed at the acquisition date. ASU 2015-16 does not change the criteria for determining whether an adjustment qualifies as a measurement-period adjustment or change the length of the measurement period, which cannot exceed one year from the date of the acquisition. The guidance is effective for annual and interim periods beginning after December 15, 2015, and the guidance is applied prospectively to adjustments to provisional amounts that occur after the adoption date. As permitted, the Company has elected to early adopt this guidance in the third quarter of 2015. The adoption of this guidance did not have any impact of the Company s results of operations or financial condition.

In July 2015, the FASB issued ASU 2015-11, Inventory Simplifying the Measurement of Inventory , which requires entities to measure most inventory at the lower of cost and net realizable value ( NRV ) , thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. The new guidance eliminates the need to determine replacement cost and evaluate whether it is above the ceiling (NRV) or below the floor (NRV less a normal profit margin). The guidance defines NRV as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation . The guidance is effective for annual and interim periods beginning after December 15, 2016. Early application is permitted. The Company is

assessing the impact that the adoption of this guidance will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs be presented as a deduction from the corresponding debt liability, and, in August 2015, the FASB issued ASU 2015-15, *Interest Imputation of Interest - Presentation and Subsequent Measurement of Debt Issuance Cost Associated with Line-of-Credit Arrangements*, which permits the presentation of debt issuance costs associated with line-of-credit arrangements as assets. The guidance is effective on a retrospective basis for annual and interim periods beginning on or after December 15, 2015. As permitted, the Company will early-adopt this guidance commencing with its annual consolidated financial statements for the year ended January 2, 2016. As the adoption of this guidance will impact balance sheet classification only, there will be no impact on the Company's results of operations.

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In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which will supersede existing revenue recognition guidance under U.S. GAAP. Under the new standard, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers by one year the effective date of the new revenue recognition guidance. The guidance will be effective for annual and interim periods beginning on or after December 15, 2017, and is to be applied on either a full retrospective or modified retrospective basis. Early adoption is permitted only as of annual and interim reporting periods beginning on or after December 15, 2016. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

**2. Business Acquisitions***Citrusource, LLC*

On March 2, 2015, the Company acquired 100% of the issued and outstanding units of Citrusource, LLC ( Citrusource ), a producer of premium not-from-concentrate private label organic and conventional orange juice and citrus products in the U.S. The acquisition of Citrusource has been accounted for as a business combination under the acquisition method of accounting. The results of Citrusource have been included in the Company's consolidated financial statements since the date of acquisition and are reported in the Consumer Products operating segment. The acquisition of Citrusource aligns with the Company's strategy of growing its value-added consumer products portfolio and leveraging its integrated operating platform.

The following table summarizes the preliminary fair values of the consideration transferred as at the acquisition date:

	\$
Cash <sup>(1)</sup>	13,300
Preliminary working capital adjustment <sup>(2)</sup>	(265)
Settlement of pre-existing relationship <sup>(3)</sup>	749
Contingent consideration <sup>(4)</sup>	20,000
Total consideration transferred	33,784

- (1) Represents upfront cash consideration paid as at the acquisition date.
- (2) The preliminary working capital adjustment is subject to change to the extent that the final determination of net working capital as at the acquisition date exceeds or is below a pre-determined target level.
- (3) Prior to the date of acquisition, the Company had a pre-existing relationship to supply Citrusource with organic citrus raw materials. As at the acquisition date, the Company had accounts receivable owing from Citrusource of \$749 related to product delivered prior to the acquisition date. No gain or loss was recognized by the Company on the effective settlement of this accounts receivable as at the acquisition date.
- (4) The contingent consideration arrangement with the former unitholders of Citrusource comprises two components: (i) deferred consideration calculated based on a seven-times multiple of the incremental growth in Citrusource's earnings before interest, taxes, depreciation and amortization ( EBITDA ) in fiscal year 2015 versus EBITDA for fiscal year 2014; and (ii) an earn-out calculated based on 25% of the incremental growth in the sum

of Citrusource's EBITDA and the EBITDA of the Company's San Bernardino, California, juice production facility (the Combined EBITDA) in each of fiscal years 2016, 2017 and 2018 versus the Combined EBITDA for fiscal year 2015. The Company estimates that the gross contingent consideration may be in the range of \$17,000 to \$23,000 in the aggregate, with no upper limit to the amount of each of the components. The fair value measurement of the contingent consideration arrangement was determined to be approximately \$20,000 as at the acquisition date, based on a probability-weighted present value analysis, of which approximately \$17,000 is related to the deferred consideration and approximately \$3,000 is related to the earn-out. Of the total contingent consideration obligation, \$4,500 is included in current portion of long-term liabilities and \$15,500 is included in long-term liabilities on the consolidated balance sheet. The fair value of the contingent consideration arrangement is based on significant level 3 unobservable inputs, including the following factors: (i) estimated range of EBITDA values in each of the earn-out periods; and (ii) the probability-weighting applied to each of the EBITDA values within the estimated range for each earn-out period. The resultant probability-weighted EBITDA values for each earn-out period were discounted at a credit risk-adjusted discount rate of approximately 3.5%. The fair value of the contingent consideration arrangement is provisional and subject to change pending the final validation of the inputs and assumptions used in the valuation analysis.



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The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed as at the acquisition date. The following amounts recognized for the assets acquired and liabilities assumed are provisional and subject to change: (i) amounts for current assets and current liabilities pending finalization of the working capital adjustment; (ii) amount and useful life of the identified intangible asset pending final evaluation of the fair value of recently awarded business prior to the acquisition date; and (iii) amount of goodwill pending the completion of the valuations of the contingent consideration arrangement and intangible asset. The Company expects to finalize these amounts no later than one year from the acquisition date.

	\$
Accounts receivable	2,405
Inventories	1,745
Machinery and equipment	164
Customer relationships intangible asset <sup>(1)</sup>	14,000
Accounts payable and accrued liabilities	(1,666)
Net identifiable assets acquired	16,648
Goodwill <sup>(2)</sup>	17,136
Net assets acquired	33,784

- (1) The customer relationships intangible asset was recognized based on contracts in existence at the acquisition date between Citrusource and major U.S. retail customers. This intangible asset will be amortized over an estimated useful life of approximately 12 years. The estimated fair value of the intangible asset was determined using a discounted cash flow analysis (income approach), which applied a risk-adjusted discount rate of approximately 15.0%.
- (2) Goodwill is calculated as the difference between the acquisition-date fair values of the consideration transferred and net assets acquired. The total amount of goodwill has been assigned to the Consumer Products operating segment and is expected to be fully deductible for tax purposes. The goodwill recognized is attributable to: (i) operating synergies expected to result from combining the operations of Citrusource with the Company's vertically-integrated juice production and supply chain capabilities; and (ii) opportunities to leverage the business experience of Citrusource's management team to grow the Company's existing citrus beverage program.

**Niagara Natural Fruit Snack Company Inc.**

On August 11, 2015, the Company acquired the net operating assets of Niagara Natural Fruit Snack Company Inc. (Niagara Natural). Niagara Natural is a manufacturer of all-natural fruit snacks located in the Niagara Region of Ontario. The acquisition of the net operating assets of Niagara Natural has been accounted for as a business combination under the acquisition method of accounting. The results of Niagara Natural have been included in the Company's consolidated financial statements since the date of acquisition and are reported in the Consumer Products operating segment.

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The following table summarizes the preliminary fair values of the consideration transferred as at the acquisition date:

	\$
Cash	6,475
Preliminary working capital adjustment	237
Contingent consideration <sup>(1)</sup>	2,330
Total consideration transferred	9,042

(1) The Company may pay the owners of Niagara Natural an additional amount of up to approximately \$2,800 over a period of two years subject to adjustment based on certain performance targets. The fair value of the contingent consideration was determined to be \$2,330 as of the acquisition date.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed as at the acquisition date, which are subject to change pending finalization of the working capital adjustment and valuation of tangible and intangible assets. The Company expects to finalize these amounts no later than one year from the acquisition date.

	\$
Current assets	2,220
Machinery and equipment	3,414
Intangible assets <sup>(1)</sup>	2,459
Current liabilities	(687)
Net identifiable assets acquired	7,406
Goodwill <sup>(2)</sup>	1,636
Net assets acquired	9,042

(1) Intangible assets comprise customer relationships and non-competition arrangements, which will be amortized over an estimated weighted-average useful life of approximately 19 years.

(2) The total amount of goodwill has been assigned to the Consumer Products operating segment.

**Revenue and Earnings**

Revenues of Citrusource and Niagara Natural for the periods from the respective acquisition dates to October 3, 2015 were approximately \$20,000, in the aggregate, and earnings, net of income taxes, were approximately \$700, in the aggregate, which included the effects of the acquisition accounting adjustments.

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***Pro Forma Consolidated Results of Operations***

The following table presents pro forma consolidated results of operations for the quarters and three quarters ended October 3, 2015 and October 4, 2014, as if the acquisitions of Citrusource and Niagara Natural had occurred as of December 29, 2013.

	October 3, 2015 \$	Quarter ended October 4, 2014 \$	October 3, 2015 \$	Three quarters ended October 4, 2014 \$
Pro forma revenues	307,504	315,011	925,716	980,037
Pro forma earnings (loss) attributable to SunOpta Inc.	483	(404)	8,568	14,615
Pro forma earnings (loss) per share				
Basic	0.01	(0.01)	0.13	0.22
Diluted	0.01	(0.01)	0.13	0.21

The pro forma consolidated results of operations were prepared using the acquisition method of accounting and are based on unaudited historical financial information of the Company, Citrusource and Niagara Natural. Except to the extent realized, the pro forma information does not reflect any operating synergies or other benefits that the Company may achieve as a result of these acquisitions, or the costs that may be necessary to achieve these operating synergies and other benefits. The pro forma information reflects primarily the following adjustments:

incremental amortization expense related to the fair value of the identified intangible asset acquired;

additional depreciation expense related to fair value adjustments to machinery and equipment acquired;

additional interest costs associated with an increase in borrowings under the Company's syndicated credit facilities to fund the upfront cash consideration paid as at the acquisition dates;

exclusion of acquisition-related costs from earnings for the three quarters ended October 3, 2015, and the inclusion of those costs in earnings for the comparative periods; and

consequential tax effects of the preceding adjustments.

The pro forma information is not necessarily indicative of what the Company's consolidated results of operations actually would have been had the acquisitions of Citrusource and Niagara Natural been completed on December 29, 2013. In addition, the pro forma information does not purport to project the future results of operations of the Company.

**3. Investment in Joint Venture**

On May 2, 2015, the Company paid \$733 in cash to increase its ownership position in Selet Hulling PLC ( Selet ) from 35% to 76%. Selet is a joint venture located in Ethiopia focused on the sourcing and supply of organic sesame. As a result of its increased ownership in Selet, the Company also obtained full management control of the operation. The increase in the Company's ownership position was accounted for as an equity transaction, with the difference between the cash consideration paid and the amount by which the non-controlling interest related to Selet was adjusted being

recognized in additional paid-in capital.

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**4. Discontinued Operations*****Fiber and Starch Business***

On December 22, 2014, the Company completed the sale of the Fiber Business for \$37,500, subject to certain closing adjustments. The Fiber Business included five facilities located in Louisville, Kentucky, Cedar Rapids, Iowa, Cambridge, Minnesota, Fosston, Minnesota, and Galesburg, Illinois. The Fiber Business was formerly part of the former Value Added Ingredients operating segment. The Company continues to operate both its integrated grain- and fruit-based ingredient businesses, which were not part of the sale, and which previously formed the remainder of the former Value Added Ingredients operating segment. The Company recognized a gain on sale of the Fiber Business in discontinued operations, net of income taxes, of \$1,898 in the fourth quarter of 2014. In the second quarter of 2015, the Company recorded a loss of \$134, net of income taxes, for a closing working capital adjustment.

***Operating Results Reported in Discontinued Operations***

The following table presents the operating results of Fiber Business reported in earnings from discontinued operations:

	October 3, 2015	Quarter ended October 4, 2014	October 3, 2015	Three quarters ended October 4, 2014
	\$	\$	\$	\$
Revenues	-	10,658	-	32,519
Earnings (loss) before income taxes	(210)	382	(429)	487
Recovery of (provision for) income taxes	82	(149)	167	(190)
Earnings (loss) from discontinued operations, net of income taxes	(128)	233	(262)	297

**5. Derivative Financial Instruments and Fair Value Measurements**

The following table presents for each of the fair value hierarchies, the assets and liabilities that are measured at fair value on a recurring basis as of October 3, 2015 and January 3, 2015:

	Fair value asset (liability)	Level 1	Level 2	Level 3
	\$	\$	\$	\$
(a) Commodity futures and forward contracts <sup>(1)</sup>				
Unrealized short-term derivative asset	1,707	677	1,030	-
Unrealized long-term derivative asset	10	-	10	-
Unrealized short-term derivative liability	(1,704)	-	(1,704)	-

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	Unrealized long-term derivative liability			
	(20)	-	(20)	-
(b) Inventories carried at market <sup>(2)</sup>	5,942	-	5,942	-
(c) Interest rate swaps <sup>(3)</sup>	(390)	-	(390)	-
(d) Forward foreign currency contracts <sup>(4)</sup>	(48)	-	(48)	-
(e) Contingent consideration <sup>(5)</sup>	(22,686)	-	-	(22,686)
(f) Embedded derivative <sup>(6)</sup>	3,409	-	-	3,409

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		January 3, 2015		
	Fair value asset (liability)	Level 1	Level 2	Level 3
	\$	\$	\$	\$
(a) Commodity futures and forward contracts <sup>(1)</sup>				
Unrealized short-term derivative asset	2,450	44	2,406	-
Unrealized long-term derivative asset	50	-	50	-
Unrealized short-term derivative liability	(2,951)	-	(2,951)	-
Unrealized long-term derivative liability	(90)	-	(90)	-
(b) Inventories carried at market <sup>(2)</sup>	7,713	-	7,713	-
(c) Interest rate swaps <sup>(3)</sup>	(285)	-	(285)	-
(d) Forward foreign currency contracts <sup>(4)</sup>	1,026	-	1,026	-
(e) Contingent consideration <sup>(5)</sup>	(396)	-	-	(396)
(f) Embedded derivative <sup>(6)</sup>	3,409	-	-	3,409

(1) Unrealized short-term derivative asset is included in prepaid expenses and other current assets, unrealized long-term derivative asset is included in other assets, unrealized short-term derivative liability is included in other current liabilities and unrealized long-term derivative liability is included in long-term liabilities on the consolidated balance sheets.

(2) Inventories carried at market are included in inventories on the consolidated balance sheets.

(3) The interest rate swaps are included in long-term liabilities on the consolidated balance sheets.

(4) The forward foreign currency contracts are included in accounts receivable or accounts payable and accrued liabilities on the consolidated balance sheets.

(5) Contingent consideration obligations are included in long-term liabilities (including the current portion thereof) on the consolidated balance sheets.

(6) The embedded derivative is included in other assets (long-term) on the consolidated balance sheets.

## (a) Commodity futures and forward contracts

The Company's derivative contracts that are measured at fair value include exchange-traded commodity futures and forward commodity purchase and sale contracts. Exchange-traded futures are valued based on unadjusted quotes for identical assets priced in active markets and are classified as level 1. Fair value for forward commodity purchase and sale contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. Local market adjustments use observable inputs or market transactions for similar assets or liabilities, and, as a result, are classified as level 2. Based on historical experience with the Company's suppliers and customers, the Company's own credit risk,

and the Company's knowledge of current market conditions, the Company does not view non-performance risk to be a significant input to fair value for the majority of its forward commodity purchase and sale contracts.

These exchange-traded commodity futures and forward commodity purchase and sale contracts are used as part of the Company's risk management strategy, and represent economic hedges to limit risk related to fluctuations in the price of certain commodity grains, as well as the prices of cocoa and coffee. These derivative instruments are not designated as hedges for accounting purposes. Gains and losses on changes in fair value of these derivative instruments are included in cost of goods sold on the consolidated statement of operations. For the quarter ended October 3, 2015, the Company recognized a gain of \$1,088 (October 4, 2014 loss of \$1,802) and for the three quarters ended October 3, 2015, the Company recognized a gain of \$534 (October 4, 2014 loss of \$2,021) related to changes in the fair value of these derivatives.

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As at October 3, 2015, the notional amounts of open commodity futures and forward purchase and sale contracts were as follows (in thousands of bushels):

	Number of bushels purchased (sold)	
	Corn	Soybeans
Forward commodity purchase contracts	1,133	757
Forward commodity sale contracts	(456)	(974)
Commodity futures contracts	(905)	(310)

In addition, as at October 3, 2015, the Company had net open forward contracts to sell 287 lots of cocoa and to purchase 4 lots of coffee.

**(b) Inventories carried at market**

Grains inventory carried at fair value is determined using quoted market prices from the Chicago Board of Trade ( CBoT ). Estimated fair market values for grains inventory quantities at period end are valued using the quoted price on the CBoT adjusted for differences in local markets, and broker or dealer quotes. These assets are placed in level 2 of the fair value hierarchy, as there are observable quoted prices for similar assets in active markets. Gains and losses on commodity grains inventory are included in cost of goods sold on the consolidated statements of operations. As at October 3, 2015, the Company had 206,971 bushels of commodity corn and 402,194 bushels of commodity soybeans in inventories carried at market.

**(c) Interest rate swaps**

As at October 3, 2015, Opta Minerals held interest rate swaps with a notional value of Cdn \$33,350 to pay fixed rates of 1.85% to 2.02%, plus a margin of 2.0% to 3.5% based on certain financial ratios of Opta Minerals, and receive a variable rate based on various reference rates including prime, bankers' acceptances or LIBOR, plus the same margin, until May 2017. The net notional value decreases in accordance with the quarterly principal repayments on Opta Minerals' non-revolving term credit facility.

At each period end, the Company calculates the marked-to-market fair value of the interest rate swaps using a valuation technique using quoted observable prices for similar instruments as the primary input. Based on this valuation, the previously recorded fair value is adjusted to the current marked-to-market position. The marked-to-market gain or loss is placed in level 2 of the fair value hierarchy. Prior to July 4, 2015, the interest rate swaps were designated as a cash flow hedge for accounting purposes with gains and losses on changes in the fair value of these derivative instruments included on the consolidated statements of comprehensive earnings. As at July 4, 2015, it was determined that the cash flow hedge was no longer highly effective due to the breach by Opta Minerals of certain of its financial covenants (see note 7). As a result, the accumulated amount of the loss recorded in other comprehensive earnings/loss related to the interest rate swaps of \$458, net of income tax benefit of \$119, was reclassified to interest expense in the second quarter of 2015. Subsequent to July 4, 2015, gains and losses on changes in the fair value of these derivative instruments are included in interest expense on the consolidated statements of operations. For the quarter ended October 3, 2015, the Company recognized a gain of \$68 (October 4, 2014 gain of \$62) and for the three quarters ended October 3, 2015, a loss of \$105 (October 4, 2014 gain of \$15) related to changes in the fair value of these derivatives.

**(d) Foreign forward currency contracts**

As part of its risk management strategy, the Company enters into forward foreign exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates. For any open forward foreign exchange contracts at

period end, the contract rate is compared to the forward rate, and a gain or loss is recorded. These contracts are placed in level 2 of the fair value hierarchy, as the inputs used in making the fair value determination are derived from and are corroborated by observable market data. While these forward foreign exchange contracts typically represent economic hedges that are not designated as hedging instruments, certain of these contracts may be designated as hedges. As at October 3, 2015 the Company had open forward foreign exchange contracts with a notional value of €23,712 (\$26,731). Gains and losses on changes in the fair value of these derivative instruments are included in foreign exchange loss or gain on the consolidated statement of operations. For the quarter ended October 3, 2015, the Company recognized a loss of \$489 (October 4, 2014 gain of \$1,038) and for the three quarters ended October 3, 2015, the Company recognized a loss of \$1,074 (October 4, 2014 gain of \$1,597) related to changes in the fair value of these derivatives.

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**(e) Contingent consideration**

The fair value measurement of contingent consideration arising from business acquisitions is determined using unobservable (level 3) inputs. These inputs include: (i) the estimated amount and timing of the projected cash flows on which the contingency is based; and (ii) the risk-adjusted discount rate used to present value those cash flows. The following table presents a reconciliation of contingent consideration obligations for the three quarters ended October 3, 2015:

	January 3, 2015	Issuances <sup>(1)</sup>	Payments <sup>(2)</sup>	Fair value adjustments <sup>(3)</sup>	Foreign exchange <sup>(4)</sup>	October 3, 2015
	\$	\$	\$	\$	\$	\$
Contingent consideration	(396)	(22,330)	253	(238)	25	(22,686)

- (1) Reflects the fair value of the Citrusource and Niagara Natural contingent consideration arrangements as measured at the respective acquisition dates (see note 2).
- (2) Reflects payment made by Opta Minerals related to its acquisition of Babco Industrial Corp. ( Babco ) in February 2010.
- (3) Reflects accretion for the time value of money related to the Citrusource and Niagara Natural obligations of \$317, partially offset by a reduction in the projected cash flows related to the remaining Babco obligation of \$79. Fair value adjustments are included in other income/expense (see note 10).
- (4) Foreign exchange adjustments are included in other comprehensive earnings/loss.

**(f) Embedded derivative**

The Company's investment in subordinated convertible notes of Enchi includes the value of an accelerated payment option embedded in the notes, which may result in a maximum payout to the Company of \$5,100. As at October 3, 2015 and January 3, 2015, the Company determined that the fair value of this embedded derivative was \$3,409. Due to a lack of level 1 or level 2 observable market quotes for the notes, the Company used a discounted cash flow analysis (income approach) to estimate the original fair value of the embedded derivative based on unobservable level 3 inputs. The Company assesses changes in the fair value of the embedded derivative based on the performance of actual cash flows derived from certain royalty rights owned by Enchi, which are expected to be the primary source of funds available to settle the embedded derivative, relative to the financial forecasts used in the valuation analysis. As at October 3, 2015, there was no significant change to the expectations related to the royalty rights that would impact the fair value of the embedded derivative

**6. Inventories**

	October 3, 2015	January 3, 2015
	\$	\$
Raw materials and work-in-process	211,066	189,192
Finished goods	61,294	66,142
Company-owned grain	15,530	15,066
Inventory reserves	(5,763)	(6,144)

282,127 264,256

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**7. Bank Indebtedness and Long-Term Debt**

	October 3, 2015	January 3, 2015
	\$	\$
<b>Bank indebtedness:</b>		
North American credit facilities <sup>(1)</sup>	21,390	6,263
European credit facilities <sup>(2)</sup>	85,257	72,191
Opta Minerals revolving term credit facility <sup>(3)</sup>	10,353	12,956
	117,000	91,410
<b>Long-term debt:</b>		
Opta Minerals non-revolving term credit facility <sup>(3)</sup>	27,514	34,633
Lease obligations	3,824	4,965
Other	114	257
	31,452	39,855
Less: current portion	28,622	5,927
	2,830	33,928

<sup>(1)</sup> North American credit facilities

The syndicated North American credit facilities support the core North American food operations of the Company.

On September 22, 2015, the Company entered into a first amending agreement to its amended and restated credit agreement dated July 27, 2012, which extended the maturity date of the North American credit facilities from July 27, 2016 to January 27, 2017. The North American credit facilities comprise secured revolving credit facilities of Cdn \$10,000 (or the equivalent U.S. dollar amount) and \$165,000, as well as an additional \$50,000 in availability upon the exercise of an uncommitted accordion feature. Outstanding principal amounts under these facilities are repayable in full on the maturity date.

Interest on borrowings under the facilities accrues based on various reference rates including London Interbank Offered Rate ( LIBOR ), plus an applicable margin of 1.75% to 2.50%, which is set quarterly based on average borrowing availability. As at October 3, 2015, the weighted-average interest rate on the facilities was 2.08% .

The facilities are collateralized by substantially all of the assets of the Company and its subsidiaries, excluding Opta Minerals and The Organic Corporation ( TOC ).

<sup>(2)</sup> European credit facilities

The European credit facilities support the international sourcing and supply operations of the Global Ingredients reportable segment.

On October 14, 2014, TOC and certain of the Company's other subsidiaries (collectively, the Borrowers ) entered into a multipurpose facilities agreement with a syndicate of lenders (collectively, the Lenders ), which provides for a total of €92,500 in financing via four main facilities: (i) an €80,000 revolving credit facility covering working capital needs; (ii) a €5,000 facility covering commodity hedging requirements; (iii) a €5,000 facility designated for letters of credit; and (iv) a €2,500 pre-settlement facility covering currency hedging requirements (collectively, the Club Facility ).

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The €80,000 revolving credit facility is secured by the working capital of the Borrowers. The Club Facility is due on demand with no set maturity date. Interest costs under the Club Facility accrue based on the aggregate of: (i) a fixed loan margin of 1.75%; and (ii) a variable rate based on LIBOR or Euro Interbank Offered Rate ( EURIBOR ) plus an applicable spread as set by the Lenders on a periodic basis. As at October 3, 2015 and January 3, 2015, €76,094 (\$85,257) and €58,205 (\$69,869), respectively, of this facility had been utilized.

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## SunOpta Inc.

Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

On April 27, 2015, a subsidiary of TOC amended its revolving credit facility agreement dated May 22, 2013, to provide up to €4,500 to cover the working capital needs of TOC's Bulgarian operations. The facility is secured by the accounts receivable and inventories of the Bulgarian operations and is fully guaranteed by TOC. Interest accrues under the facility based on EURIBOR plus a margin of 2.75%, and borrowings under the facility are repayable in full on April 30, 2016. As of October 3, 2015 and January 3, 2015, nil and €1,934 (\$2,322), respectively, was borrowed under this facility.

As at October 3, 2015, the weighted-average interest rate on the European credit facilities was 2.44% .

### (3) Opta Minerals credit facilities

These credit facilities are specific to the operations of Opta Minerals, and are without recourse to SunOpta Inc.

On May 8, 2014, Opta Minerals amended and extended its credit agreement with a syndicate of lenders dated May 18, 2012, which provides for a Cdn \$20,000 revolving term credit facility and a Cdn \$52,500 non-revolving term credit facility. The revolving term credit facility was due to mature on August 14, 2015; however, the lenders extended the maturity date of the revolving credit facility from August 14, 2015 to October 2, 2015 and then from October 2, 2015 to November 30, 2015. The non-revolving term credit facility is due to mature on May 18, 2017, unless earlier payment is required due to an event of default. The principal amount of the non-revolving term credit facility is repayable in equal quarterly installments of approximately Cdn \$1,312.

As described in note 1, as at June 30, 2015 and September 30, 2015, Opta Minerals was not in compliance with all of its financial covenants under its credit agreement. Failure to meet a financial covenant constitutes an event of default, unless the lenders agree to a waiver or amendment. On August 11, 2015, in respect of the June 30, 2015 default and October 30, 2015, in respect of the September 30, 2015 default, Opta Minerals obtained waivers in respect of the aforementioned covenant requirements from its lenders, provided that Opta Minerals meets certain additional financial covenants. As there is no assurance that Opta Minerals will be in compliance with all its financial covenants at all measurement dates within the next 12 months, the non-revolving term credit facility has been classified as current on the consolidated balance sheet as at October 3, 2015.

Opta Minerals' credit facilities are collateralized by a first priority security interest on substantially all of the assets of Opta Minerals.

Interest on the borrowings under the credit facility accrues at the borrower's option based on various reference rates including LIBOR, plus an applicable margin of 2.00% to 5.50% based on certain financial ratios of Opta Minerals. Opta Minerals utilizes interest rate swaps to hedge the interest payments on a portion of the borrowings under the non-revolving term credit facility (see note 5). As at September 30, 2015, the weighted-average interest rate on the credit facilities was 6.23%, after taking into account the related interest rate hedging activities.

## 8. Common Shares

On September 30, 2015, the Company completed a registered offering of 16,670,000 of its common shares, no par value, at a price of \$6.00 per share, for aggregate gross proceeds of \$100,020 (the Equity Offering). Underwriting and other issuance costs of \$4,676 incurred in connection with the issuance of these new common shares have been reflected as a reduction to the gross proceeds from the Equity Offering, net of income taxes of \$1,200. The proceeds from the Equity Offering were used by the Company to fund a portion of the purchase price of the Sunrise Acquisition

(see note 16).

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**SunOpta Inc.**

Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

**9. Stock-Based Compensation**

Under the Company's 2013 Stock Incentive Plan, the Company may grant a variety of stock-based awards including stock options, restricted stock units ( RSUs ) and performance share units ( PSUs ) to selected employees and directors of the Company.

***Stock Options***

For the three quarters ended October 3, 2015, the Company granted 462,780 options to employees that vest ratably on each of the first through fifth anniversaries of the grant date and expire on the tenth anniversary of the grant date. The weighted-average grant-date fair value of these options was \$5.48, which is recognized on a straight-line basis over the five-year vesting period based on the number of stock options expected to vest.

The following table summarizes the weighted-average assumptions used in the Black-Scholes option-pricing model to determine the fair value of the stock options granted:

Exercise price	\$	10.15
Dividend yield		0%
Expected volatility		54.1%
Risk-free interest rate		1.9%
Expected life of options (in years)		6.5

***Restricted Stock Units and Performance Share Units***

For the three quarters ended October 3, 2015, the Company granted 64,487 RSUs and 115,071 PSUs to certain employees and directors of the Company.

Time-based RSUs vest ratably on each of the first through third anniversaries of the grant date. The fair value of each RSU granted was estimated to be \$10.07 based on the fair market value of a share of the Company's common stock on the date of grant. The grant-date fair value is recognized on a straight-line basis over the three-year vesting period based on the number of RSUs expected to vest.

Performance-based PSUs vest three years following the grant date. The number of PSUs that ultimately vest (up to a specified maximum) will be determined based on performance relative to predetermined performance measures of the Company. If the Company's performance is below a specified performance level, no PSUs will vest. The weighted-average grant-date fair value of the PSUs granted was estimated to be \$10.16 based on the fair market value of a share of the Company's common stock on the grant dates. Each reporting period, the number of PSUs that are expected to vest is re-determined and the grant-date fair value of these PSUs is amortized on a straight-line basis over the remaining vesting period less amounts previously recognized.

Each vested RSU and PSU will be settled through the issuance of common shares of the Company and are therefore treated as equity awards.

***Warrants***

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On January 29, 2015, the Company received proceeds of \$812 on the exercise of warrants issued by the Company on February 5, 2010 to purchase 250,000 common shares at an exercise price of \$3.25 per share, and, on June 4, 2015, the Company received proceeds of \$3,067 on the exercise of warrants issued by the Company on June 11, 2010 to purchase 600,000 common shares at an exercise price of \$5.11 per share.

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**SunOpta Inc.**

Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

**10. Other Expense (Income), Net**

The components of other expense (income) are as follows:

	October 3, 2015 \$	Quarter ended October 4, 2014 \$	October 3, 2015 \$	Three quarters ended October 4, 2014 \$
Severance costs <sup>(1)</sup>	2,359	243	3,413	429
Business development costs <sup>(2)</sup>	1,135	-	1,658	-
Plant closure costs <sup>(3)</sup>	107	-	392	-
Fair value of contingent consideration <sup>(4)</sup>	156	-	238	(1,373)
Loss (gain) on sale of assets <sup>(5)</sup>	126	(1,018)	19	(1,018)
Impairment of long-lived assets <sup>(6)</sup>	-	505	-	505
Other	150	281	445	464
	4,033	11	6,165	(993)

**(1) Severance costs**

For the quarter ended October 3, 2015, employee severance costs included contractual severance benefits of \$1,227 and previously unrecognized stock-based compensation expense of \$854 recognized in connection with the departure of Steven Bromley as the Company's Chief Executive Officer (CEO) effective October 1, 2015. For the three quarters ended October 3, 2015, employee severance costs also included those costs related to the departure of the former President and CEO of Opta Minerals effective May 26, 2015.

For the quarter and three quarters ended October 4, 2014, employee severance costs included costs incurred by the Company in connection with the closure and sale of certain of its sunflower facilities.

**(2) Business development costs**

Business development costs represent external professional and consulting fees, and other costs incurred in connection with the review of strategic opportunities to acquire or divest of businesses or assets. For the quarter and three quarters ended October 3, 2015, these costs were primarily incurred in connection with the agreement to acquire Sunrise (see note 16), as well as the acquisitions of the Citrusource and Niagara Natural (see note 2).

**(3) Plant closure costs**

For the quarter and three quarters ended October 3, 2015, Opta Minerals incurred direct costs in connection with the closure or relocation of certain of its abrasives plants.

**(4) Fair value of contingent consideration**

For the three quarters ended October 4, 2014, the Company recorded a gain of \$1,373 in connection with the settlement of the remaining earn-out related to the acquisition of Edner of Nevada, Inc. (Edner) on December 14, 2010. In addition, the Company made a payment of \$800 to the former owners of Edner in connection with this settlement.

**(5) Gain on sale of assets**

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For the three quarters ended October 4, 2014, the Company recognized a gain of \$1,018 on the sale of certain of its sunflower facilities for cash consideration of \$5,688.

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**SunOpta Inc.**

Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

**(6) Impairment of long-lived assets**

For the quarter and three quarters ended October 4, 2014, Opta Minerals wrote down the carrying value of certain property, plant and equipment in connection with the closure of one of its industrial minerals plants.

**11. Impairment Loss on Investment**

For the quarter and three quarters ended October 4, 2014, the Company recorded an other-than-temporary impairment loss of \$8,441 on the consolidated statements of operations to write down the carrying value of its investment in equity and debt securities of Enchi.

**12. Earnings Per Share**

Earnings (loss) per share are calculated as follows:

	October 3, 2015	Quarter ended October 4, 2014	October 3, 2015	Three quarters ended October 4, 2014
Earnings (loss) from continuing operations attributable to SunOpta Inc.	\$ 442	\$ (617)	\$ 7,859	\$ 14,667
Earnings (loss) from discontinued operations, net of income taxes	(128)	233	(262)	297
Earnings (loss) attributable to SunOpta Inc.	\$ 314	\$ (384)	\$ 7,597	\$ 14,964
Basic weighted-average number of shares outstanding	69,180,603	66,918,863	68,198,611	66,763,931
Dilutive potential of the following:				
Employee/director stock options and RSUs	-	1,213,279	207,190	985,768
Warrants	-	554,245	-	523,871
Diluted weighted-average number of shares outstanding	69,180,603	68,686,387	68,405,801	68,273,570
Earnings (loss) per share - basic:				
- from continuing operations	\$ 0.01	\$ (0.01)	\$ 0.12	\$ 0.22
- from discontinued operations	-	-	-	-
	\$ -	\$ (0.01)	\$ 0.11	\$ 0.22

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Earnings (loss) per share						
- diluted:						
- from continuing						
operations	\$	0.01	\$	(0.01)	\$	0.11
					\$	0.21
- from discontinued						
operations		-		-		-
	\$	-	\$	(0.01)	\$	0.11
					\$	0.21

For the quarter ended October 3, 2015, stock options to purchase 870,192 (October 4, 2014 – 50,500) common shares were excluded from the calculation of potential dilutive common shares due to their anti-dilutive effect. For the three quarters ended October 3, 2015, stock options to purchase 405,996 (October 4, 2014 – 50,500) common shares were excluded from the calculation of potential dilutive common shares due to their anti-dilutive effect.

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**SunOpta Inc.**

Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

**13. Supplemental Cash Flow Information**

	October 3, 2015 \$	Quarter ended October 4, 2014 \$	October 3, 2015 \$	Three quarters ended October 4, 2014 \$
Changes in non-cash working capital, net of businesses acquired:				
Accounts receivable	6,662	(8,254)	(645)	(26,999)
Inventories	4,762	9,933	(22,307)	27,575
Income tax recoverable	(2,934)	(387)	(6,217)	1,010
Prepaid expenses and other current assets	2,777	256	(364)	(2,076)
Accounts payable and accrued liabilities	2,180	1,332	4,435	(4,738)
Customer and other deposits	1,118	365	1,019	606
	14,565	3,245	(24,079)	(4,622)

As at October 3, 2015, cash and cash equivalents included \$1,626 (January 3, 2015 - \$2,170) that was specific to Opta Minerals and cannot be utilized by the Company for general corporate purposes.

**14. Commitments and Contingencies*****Plum Dispute***

Plum, PBC, a Delaware public benefit corporation ( *Plum* ), and SunOpta Global Organic Ingredients, Inc., a wholly-owned subsidiary of the Company ( *SGOI* ), are parties to a manufacturing and packaging agreement dated September 21, 2011 (the *Plum Manufacturing Agreement* ). Pursuant to the Plum Manufacturing Agreement, SGOI agreed to manufacture and package certain food items for Plum at SGOI's Allentown, Pennsylvania facility in accordance with Plum's specifications regarding, among other things, product ingredients and packaging, manufacturing processes, and quality control standards. On November 8, 2013, Plum initiated a voluntary recall of certain products manufactured by SGOI at its Allentown facility. On February 3, 2015, Plum filed a complaint against SGOI in the Lehigh County Court of Common Pleas in Allentown, Pennsylvania. On April 13, 2015, Plum filed an amended complaint adding packaging manufacturer and supplier Cheer Pack North America as a Defendant. SGOI has asserted counterclaims against Plum and cross-claims against Cheer Pack. Plum alleges it initiated the recall in response to consumer complaints of bloated packaging and premature spoilage of certain products, which could lead to gastrointestinal symptoms and discomfort if consumed. Plum alleges that the spoilage of its products resulted from a post-processing issue at SGOI's Allentown facility. Plum is seeking unspecified damages equal to the direct costs of the recall and handling of undistributed product, incidental and consequential damages, lost profits and attorneys' fees. The Company disputes the allegations made by Plum against SGOI and intends to vigorously defend itself against these claims; however, the Company cannot reasonably predict the outcome of this claim, nor can it estimate the amount of loss, or range of loss, if any, that may result from this claim.

***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.

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**SunOpta Inc.**

Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

**15. Segmented Information**

In the fourth quarter of 2014, following the sale of the Fiber Business (see note 3), the Company implemented changes to its organizational structure to align and focus the operations of SunOpta Foods on two key go-to-market categories: ingredient sourcing and supply; and consumer-packaged products. Consequently, the Company realigned the operating segments of SunOpta Foods to reflect the resulting changes in management reporting and accountability to the Company's Chief Executive Officer. The segment information presented below for the quarter and three quarters ended October 4, 2014 has been restated to reflect the realigned operating segments of SunOpta Foods. The Opta Minerals operating segment remained unchanged.

Effective with the realignment, the Company operates in the following three reportable segments:

Global Ingredients aggregates the Company's North American-based Raw Material Sourcing and Supply and European-based International Sourcing and Supply operating segments focused on the procurement and sale of specialty and organic grains and seeds, raw material ingredients, value-added grain- and cocoa-based ingredients, and organic commodities.

Consumer Products consists of three main platforms: Healthy Beverages, Healthy Fruit and Healthy Snacks. Healthy Beverages include aseptic packaged products including non-dairy and dairy beverages, broths and teas; refrigerated premium juices; and shelf-stable juices and functional waters. Healthy Fruit includes individually quick frozen (IQF) fruits and vegetables for retail; IQF and bulk frozen fruit for foodservice; and fruit ingredients. Healthy Snacks including fruit snacks; nutritional and protein bars; and re-sealable pouch products.

Opta Minerals processes, distributes and recycles industrial minerals, silica-free abrasives, and specialty sands for use in the steel, foundry, loose abrasive cleaning, and municipal water filtration industries.

In addition, Corporate Services provides a variety of management, financial, information technology, treasury and administration services to each of the SunOpta Foods operating segments from the Company's offices in Brampton, Ontario and Edina, Minnesota.

When reviewing the operating results of the Company's operating segments, management uses segment revenues from external customers and segment operating income to assess performance and allocate resources. Segment operating income excludes other income or expense items and goodwill impairment losses. In addition, interest expense and income amounts, and provisions for income taxes are not allocated to operating segments.

	Global Ingredients \$	Consumer Products \$	SunOpta Foods \$	Opta Minerals \$	Quarter ended October 3, 2015 Consol- idated \$
Segment revenues from external customers	150,500	126,713	277,213	28,794	306,007
Segment operating income	4,642	1,863	6,505	2,105	8,610
Corporate Services					(2,405)

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Other expense, net		(4,033)
Interest expense, net		(1,919)
Earnings from continuing operations		
before income taxes		253

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**SunOpta Inc.**

## Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	Global Ingredients \$	Consumer Products \$	SunOpta Foods \$	Opta Minerals \$	Quarter ended October 4, 2014 Consol- idated \$
Segment revenues from external customers	156,438	115,570	272,008	35,879	307,887
Segment operating income	6,933	7,988	14,921	898	15,819
Corporate Services					(3,590)
Other expense, net					(11)
Interest expense, net					(1,970)
Impairment loss on investment					(8,441)
Earnings from continuing operations before income taxes					1,807

	Global Ingredients \$	Consumer Products \$	SunOpta Foods \$	Opta Minerals \$	Three quarters ended October 3, 2015 Consol- idated \$
Segment revenues from external customers	467,405	361,351	828,756	87,925	916,681
Segment operating income	23,934	5,115	29,049	2,313	31,362
Corporate Services					(6,006)
Other expense, net					(6,165)
Interest expense, net					(6,835)
Earnings from continuing operations before income taxes					12,356

	Global Ingredients \$	Consumer Products \$	SunOpta Foods \$	Opta Minerals \$	Three quarters ended October 4, 2014 Consol- idated \$
Segment revenues from external customers	477,240	374,934	852,174	105,667	957,841
Segment operating income	19,254	27,412	46,666	3,494	50,160
Corporate Services					(9,201)
Other income, net					993
Interest expense, net					(6,128)

Impairment loss on investment						(8,441)
Earnings from continuing operations before income taxes						27,383

**16. Subsequent Events**

*Sunrise Acquisition*

On October 9, 2015 (the acquisition date), the Company completed the Sunrise Acquisition for total consideration of approximately \$452,000 in cash. In addition, the Company paid approximately \$21,000 at closing to settle acquisition-related transaction costs incurred by Sunrise in connection with the Sunrise Acquisition. Sunrise is a processor of conventional and organic IQF fruit in the U.S. The Company financed the Sunrise Acquisition, including the settlement of the related acquisition costs incurred by Sunrise, through a combination of: (i) net proceeds of approximately \$95,500 from the Equity Offering (see note 8); (ii) net borrowings of approximately \$318,000 under the Loan Agreement (defined below); and (iii) borrowings of approximately \$59,500 under its existing North American credit facilities.

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## **SunOpta Inc.**

Notes to Consolidated Financial Statements

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

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(Expressed in thousands of U.S. dollars, except per share amounts)

The Sunrise Acquisition will be accounted for as a business combination under the acquisition method of accounting. The Company will record the assets acquired and liabilities assumed at their fair values as of the acquisition date. Due to the limited time since the closing of the Sunrise Acquisition, the valuation activities and related acquisition accounting are incomplete at the time of the filing of these consolidated financial statements. As a result, the Company is unable to provide amounts recognized as of the acquisition date for major classes of assets and liabilities acquired, including goodwill. In addition, because the acquisition accounting is incomplete, the Company is unable to provide the supplemental pro forma revenue and earnings for the combined entity, as the pro forma adjustments are expected to primarily consist of estimates for the amortization of identifiable intangible assets acquired and related income tax effects, which will result from the purchase price allocation and determination of the fair values for the assets acquired and liabilities assumed.

### ***Loan Agreement***

On October 9, 2015 (the funding date), SunOpta Foods Inc. (the Borrower), a wholly-owned subsidiary of the Company, the Company and certain subsidiaries of the Company, as guarantors (together with the Company, the Guarantors), entered into a Second Lien Loan Agreement (the Loan Agreement) with a group of lenders, pursuant to which the Company borrowed an aggregate principal amount of \$330,000 of term loans. The proceeds of the Loan Agreement, net of related financing costs, were used to partially fund the Sunrise Acquisition as described above. The Loan Agreement is guaranteed by the Company and all of its subsidiaries that guarantee its North American credit facilities, and is secured on a second-priority basis by security interests on all of the Borrower's and Guarantors' assets that secure the Company's North American credit facilities.

The term loans made under the Loan Agreement on the funding date (the Initial Loans) mature on the first anniversary of the funding date. If any Initial Loans remain outstanding on the first anniversary of the funding date (the Interim Loan Conversion Date) and no bankruptcy event of default then exists, all Initial Loans then outstanding automatically convert into term loans (such converted loans, the Term Loans), which would mature on the seventh anniversary of the funding date (the Maturity Date). At the Company's election, interest on the Initial Loans is initially determined by reference to either: (i) LIBOR (subject to a 1.0% per annum floor) plus an applicable margin of 6.0% per annum; or (ii) an alternate base rate specified in the Loan Agreement plus an applicable margin of 5.0%. The applicable margin increases by 0.50% at the end of each three-month period after the funding date until the Interim Loan Conversion Date. In each case, the Initial Loans carry a maximum interest rate of 9.5% per annum, and any Term Loans will bear interest at 9.5% per annum. After the Interim Loan Conversion Date, the lenders also have the right to exchange their Term Loans for notes in a corresponding principal amount which would mature on the Maturity Date.

The Initial Loans may be voluntarily prepaid at par at any time prior to the Interim Loan Conversion Date and must be prepaid at par upon the incurrence of certain indebtedness, the issuance of certain types of equity and the sale of certain assets.

The Loan Agreement contains certain customary representations and warranties, customary covenants that restrict the Company's and its restricted subsidiaries' ability to, among other things: incur, assume or permit to exist additional indebtedness (including guarantees thereof); pay dividends or certain other distributions on capital stock or repurchase capital stock or prepay certain indebtedness; incur liens on certain assets; make certain investments; permit certain restrictions on the ability of the restricted subsidiaries to pay dividends or make other payments to the Borrower and Guarantors; engage in transactions with affiliates; and sell certain assets or merge or consolidate with or into other companies.



## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward-Looking Financial Information**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) should be read in conjunction with the interim consolidated financial statements, and notes thereto, for the quarter ended October 3, 2015 contained under Item 1 of this Quarterly Report on Form 10-Q ( Form 10-Q ) and in conjunction with the annual consolidated financial statements, and notes thereto, contained in the Annual Report on Form 10-K for the fiscal year ended January 3, 2015 ( Form 10-K ). Unless otherwise indicated herein, the discussion and analysis contained in this MD&A includes information available to November 12, 2015.

Certain statements contained in this MD&A may constitute forward-looking statements as defined under securities laws. Forward-looking statements may relate to our future outlook and anticipated events or results and may include statements regarding our future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives. In some cases, forward-looking statements can be identified by terms such as anticipate , estimate , intend , project , potential , continue , believe , expect , should , might , plan , will , may , predict , the negatives of such terms, and other similar expressions concerning that are not historical facts. To the extent any forward-looking statements contain future-oriented financial information or financial outlooks, such information is being provided to enable a reader to assess our financial condition, material changes in our financial condition, our results of operations, and our liquidity and capital resources. Readers are cautioned that this information may not be appropriate for any other purpose, including investment decisions.

Forward-looking statements contained in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While we consider these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Forward-looking statements are also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors are more fully described in the Risk Factors section at Item 1A of the Form 10-K and Item 1A of this report.

Forward-looking statements contained in this commentary are based on our current estimates, expectations and projections, which we believe are reasonable as of the date of this report. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Other than as required under securities laws, we do not undertake to update any forward-looking information at any particular time.

All dollar amounts in this MD&A are expressed in thousands of U.S. dollars, except per share amounts, unless otherwise noted.

### **Calendar Year**

We operate on a fiscal calendar that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to December 31. Fiscal year 2015 will be a 52-week period ending on January 2, 2016, with quarterly periods ending on April 4, July 4 and October 3, 2015, whereas fiscal year 2014 was a 53-week period ending on January 3, 2015, with quarterly periods ending on April 5, July 5 and October 4, 2014. As a result, the first three quarters of 2015 consisted of 39 weeks, compared with 40 weeks for the first three quarters of 2014. Except as otherwise noted in this MD&A, the impact of the additional week on our results of operations for the first three quarters of 2014 was insignificant relative to the first three quarters of 2015.

### **Operational Realignment**

In the fourth quarter of 2014, following the sale of our fiber and starch business (the Fiber Business ) on December 22, 2014, we implemented changes to our organizational structure to align and focus the operations of SunOpta Foods on

two key go-to-market categories: ingredient sourcing and supply; and consumer-packaged products. Consequently, we realigned the operating segments of SunOpta Foods to reflect the resulting changes in management reporting and accountability to our Chief Executive Officer ( CEO ). We believe this new operational structure aligns well with SunOpta Foods integrated field-to-table business model and product portfolio. Effective with the realignment, the Value Added Ingredients operating segment ceased to exist and SunOpta Foods operates in the following two reportable segments: Global Ingredients, which includes the grain-based ingredients business of the former Value Added Ingredients operating segment; and Consumer Products, which includes the fruit-based ingredient business of the former Value Added Ingredients operating segment. The Opta Minerals operating segment remained unchanged. The segmented operations information provided in the consolidated financial statements and this MD&A for the quarter and three quarters ended October 4, 2014 has been restated to reflect these realigned reportable segments, as well as to present the Fiber Business as a discontinued operation.

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## Succession of Chief Executive Officer

On July 7, 2015, we announced the appointment of Hendrik Jacobs, our former President and Chief Operating Officer, to President and CEO, effective October 1, 2015. In conjunction with this appointment, Mr. Jacobs also became a member of the Board of Directors effective October 1, 2015. Mr. Jacobs succeeded former CEO, Steve Bromley, who became Vice-Chair effective October 1, 2015. Mr. Bromley will remain on the Board of Directors and serve as Vice-Chair until December 31, 2015.

## Business Development

### *Sunrise Holdings (Delaware), Inc.*

On October 9, 2015, we completed the acquisition of 100% of the issued and outstanding common shares of Sunrise Holdings (Delaware), Inc. ( Sunrise ), pursuant to a Purchase and Sale Agreement (the PSA ) dated July 30, 2015 (the Sunrise Acquisition ), for total consideration of approximately \$452,000 in cash. In addition, we paid approximately \$21,000 at closing to settle acquisition-related transaction costs incurred by Sunrise in connection with the Sunrise Acquisition. Sunrise is a processor of conventional and organic individually quick frozen fruit in the U.S. The acquisition of Sunrise is expected to provide us with a leadership position in frozen fruit, both leveraging and complementing our integrated field-to-table business model, and is aligned with our strategic focus on healthy foods. We financed the Sunrise Acquisition, including the settlement of the related acquisition costs incurred by Sunrise, through a combination of: (i) net proceeds of approximately \$95,500 from a registered offering of 16.7 million of our common shares that closed on September 30, 2015; (ii) net borrowings of approximately \$318,000 under a Second Lien Loan Agreement (the Loan Agreement ), as described below under Liquidity and Capital Resources ; and (iii) borrowings of approximately \$59,500 under our existing North American credit facilities. The Sunrise Acquisition will be accounted for as a business combination under the acquisition method of accounting, with the results of operations of Sunrise included in our consolidated financial statements from the acquisition date.

### *Niagara Natural Fruit Snack Company Inc.*

On August 11, 2015, we acquired the net assets of Niagara Natural Fruit Snack Company Inc. ( Niagara Natural ), a manufacturer of all-natural fruit snacks. Niagara Natural's operations are located in the Niagara Region of Ontario. Niagara Natural is a strong strategic fit within our core vertically-integrated consumer products strategy, aligning well with our focus on healthy and convenient snacking. In addition, with this acquisition, we extend our market presence in fruit snacks with manufacturing operations in both the east and west regions of North America, which is expected to generate operational and logistical synergies. The transaction included a cash purchase price of \$6,475, subject to certain post-closing adjustments, plus potential future payments of up to approximately \$2,800 based on specific performance targets. The fair value of the total consideration transferred to acquire Niagara Natural of \$9,042 as at the acquisition date, was allocated primarily to machinery and equipment (\$3,414), intangible assets (\$2,459) and goodwill (\$1,636). Niagara Natural has been included in the Consumer Products operating segment since the date of acquisition.

### *Selet Hulling PLC*

On May 2, 2015, we paid \$733 in cash to increase our ownership position in Selet Hulling PLC ( Selet ) from 35% to 76%. Selet is a joint venture located in Ethiopia focused on the sourcing and supply of organic sesame. As a result of our increased ownership in Selet, we also obtained full management control of the operation. Through our investment in Selet, we intend to continue the development of our sourcing for organic sesame and other organic raw materials from Ethiopia and the East-African Region.



***Citrusource, LLC***

On March 2, 2015, we acquired Citrusource, LLC ( Citrusource ), a producer of premium not-from-concentrate private label organic and conventional orange juice and citrus products in the U.S. We paid \$13,300 in cash at closing and we may pay additional consideration based on the incremental growth in Citrusource's base business and the value of synergies created from combining the operations of Citrusource with our premium juice facility. The preliminary fair value of the total consideration transferred to acquire Citrusource was \$33,784 as at the acquisition date, which was allocated primarily to a customer relationships intangible asset (\$14,000) and goodwill (\$17,136). The fair values assigned to the consideration transferred and net assets acquired are provisional and subject to change. The acquisition of Citrusource aligns with our strategy of growing our value-added consumer products portfolio and leveraging our integrated operating platform. Citrusource has been included in the Consumer Products operating segment since the date of acquisition.

**Opta Minerals Inc. Going Concern Uncertainty**

We currently own approximately 66% of Opta Minerals Inc. ( Opta Minerals ) on a non-dilutive basis. Opta Minerals produces, distributes and recycles industrial minerals, silica-free abrasives and specialty sands. We have identified our investment in Opta Minerals as a non-core holding.

Opta Minerals has periodically breached certain financial covenants under its credit agreement with a syndicate of lenders, including as at June 30, 2015 and September 30, 2015. Opta Minerals obtained waivers from the lenders on August 11, 2015 in respect of the June 30, 2015 default and October 30, 2015, in respect of the September 30, 2015 default. In connection with these waivers, certain additional covenants were added from the date of the waivers through November 30, 2015. In addition, the lenders agreed to extend the maturity of Opta Minerals' revolving term credit facility to November 30, 2015. As at September 30, 2015, Opta Minerals had borrowings of \$10,353 outstanding under its revolving term credit facility and \$27,514 outstanding under its non-revolving term credit facility. Opta Minerals' credit facilities are collateralized by a first priority security interest on substantially all of the assets of Opta Minerals, and are without recourse to SunOpta Inc.

Opta Minerals will require the continued support of its current financial lenders and, effective November 30, 2015, Opta Minerals will require another extension of its revolving credit facility and an additional waiver on future covenants, if breached, or an alternative source of financing. There can be no assurance that a further extension and additional waiver will be provided or that alternative sources of financing on terms favorable to Opta Minerals can be obtained to finance its operations and meet its obligations. SunOpta Inc. has no obligation or plans to act as an alternative source of financing for Opta Minerals.

The factors noted above may cast significant doubt as to Opta Minerals' ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and consolidated balance sheet classifications that might be necessary if Opta Minerals is unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material to us.

Opta Minerals ability to continue to operate as a going concern could also have a significant impact on our ability to recover the carrying value of our investment in Opta Minerals, which amounted to approximately \$25,000 as at October 3, 2015.

## Consolidated Results of Operations for the quarters ended October 3, 2015 and October 4, 2014

For the quarter ended	October 3, 2015 \$	October 4, 2014 \$	Change \$	Change %
<b>Revenues</b>				
SunOpta Foods	277,213	272,008	5,205	1.9%
Opta Minerals	28,794	35,879	(7,085)	-19.7%
<b>Total revenues</b>	<b>306,007</b>	<b>307,887</b>	<b>(1,880)</b>	<b>-0.6%</b>
<b>Gross profit</b>				
SunOpta Foods	26,309	30,837	(4,528)	-14.7%
Opta Minerals	4,323	5,276	(953)	-18.1%
<b>Total gross profit</b>	<b>30,632</b>	<b>36,113</b>	<b>(5,481)</b>	<b>-15.2%</b>
<b>Segment operating income (loss)<sup>(1)</sup></b>				
SunOpta Foods	6,505	14,921	(8,416)	-56.4%
Opta Minerals	2,105	898	1,207	134.4%
Corporate Services	(2,405)	(3,590)	1,185	33.0%
<b>Total segment operating income</b>	<b>6,205</b>	<b>12,229</b>	<b>(6,024)</b>	<b>-49.3%</b>
Other expense, net	4,033	11	4,022	36563.6%
<b>Earnings from continuing operations before the following</b>	<b>2,172</b>	<b>12,218</b>	<b>(10,046)</b>	<b>-82.2%</b>
Interest expense, net	1,919	1,970	(51)	-2.6%
Impairment loss on investment	-	8,441	(8,441)	n/m
Provision for (recovery of) income taxes	(411)	2,267	(2,678)	-118.1%
Earnings (loss) from continuing operations	664	(460)	1,124	244.3%
Earnings attributable to non-controlling interests	222	157	65	41.4%
Earnings (loss) from discontinued operations, net of taxes	(128)	233	(361)	-154.9%
<b>Earnings (loss) attributable to SunOpta Inc.<sup>(2)</sup></b>	<b>314</b>	<b>(384)</b>	<b>698</b>	<b>181.8%</b>

(1) When assessing the financial performance of our operating segments, we use an internal measure of operating income that excludes other income/expense items and any goodwill impairment losses determined in accordance with U.S. GAAP. This measure is the basis on which management, including the Chief Executive Officer, assesses the underlying performance of our operating segments. We believe that disclosing this non-GAAP measure assists investors in comparing financial performance across reporting periods on a consistent basis by excluding items that are not indicative of our core operating performance. However, the non-GAAP measure of operating income should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP. The following table presents a reconciliation of segment operating income (loss) to earnings from continuing operations before the following, which we consider to be the most directly comparable U.S. GAAP financial measure.

For the quarter ended	Global Ingredients \$	Consumer Products \$	SunOpta Foods \$	Opta Minerals \$	Corporate Services \$	Consol- idated \$
<b>October 3, 2015</b>						
Segment operating income (loss)	4,642	1,863	6,505	2,105	(2,405)	6,205
Other expense, net	(86)	(399)	(485)	(381)	(3,167)	(4,033)

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Earnings (loss) from continuing operations before the following	4,556	1,464	6,020	1,724	(5,572)	2,172
<b>October 4, 2014</b>						
Segment operating income (loss)	6,933	7,988	14,921	898	(3,590)	12,229
Other income (expense), net	687	29	716	(782)	55	(11)
Earnings (loss) from continuing operations before the following	7,620	8,017	15,637	116	(3,535)	12,218
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We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude from segment operating income. However, any measure of operating income excluding any or all of these items is not, and should not be viewed as, a substitute for operating income prepared under U.S. GAAP. These items are presented solely to allow investors to more fully understand how we assess financial performance.

- (2) When assessing our financial performance, we use an internal measure that excludes the following items from earnings attributable to SunOpta Inc. determined in accordance with U.S. GAAP: (i) results of discontinued operations; (ii) specific items recognized in other income/expense, including severance and other rationalization costs, business development costs, changes in the fair value of contingent consideration, and gains/losses on the disposal of assets; (iii) impairment losses on long-lived assets, investments, and goodwill; and (iv) other unusual items that are identified and evaluated on an individual basis, which due to their nature or size, we would not expect to occur as part of our normal business on a regular basis. We believe that the identification of these items enhances an analysis of our financial performance of our core business when comparing those operating results between periods, as we do not consider these items to be reflective of normal core business operations. The following table presents a reconciliation of adjusted earnings from loss attributable to SunOpta Inc., which we consider to be the most directly comparable U.S. GAAP financial measure.

		SunOpta Foods Per Diluted Share		Opta Minerals Per Diluted Share		Consolidated Per Diluted Share
<b>For the quarter ended</b>	\$	\$	\$	\$	\$	\$
<b>October 3, 2015</b>						
Earnings (loss) attributable to SunOpta Inc.	(322)	-	636	0.01	314	-
Loss from discontinued operations, net of income taxes	128	-	-	-	128	-
Earnings (loss) from continuing operations attributable to SunOpta Inc.	(194)	-	636	0.01	442	0.01
Adjusted for:						
Demurrage, detention and other related expenses <sup>(a)(c)</sup>	1,858		-		1,858	
Plant expansion and start-up costs <sup>(a)</sup>	1,525		-		1,525	
Litigation costs <sup>(b)</sup>	383		-		383	
Other expense, net	3,652		381		4,033	
Net income tax effect of preceding adjustments	(2,485)		(101)		(2,586)	
Non-controlling interests' share of preceding adjustments	-		(95)		(95)	
Adjusted earnings	4,739	0.07	821	0.01	5,560	0.08
<b>October 4, 2014</b>						
	(756)	(0.01)	372	0.01	(384)	(0.01)

Earnings (loss) attributable to SunOpta Inc.						
Earnings from discontinued operations, net of income taxes	(233)	-	-	-	(233)	-
Earnings (loss) from continuing operations attributable to SunOpta Inc.	(989)	(0.01)	372	0.01	(617)	(0.01)
Adjusted for:						
Impairment loss on investment	8,441		-		8,441	
Other expense (income), net	(643)		654		11	
Income tax effect of preceding adjustments	238		(173)		65	
Non-controlling interests' share of preceding adjustments	-		(163)		(163)	
Adjusted earnings	7,047	0.10	690	0.01	7,737	0.11

(a) Included in cost of goods sold.

(b) Included in selling, general and administrative expenses.

(c) Demurrage, detention and other related expenses represent additional logistics costs stemming from capacity constraints on imports and exports within the Global Ingredients segment.

We believe that investors' understanding of the financial performance of our core foods business is enhanced by disclosing the specific items that we exclude from earnings attributable to SunOpta Inc. to compute adjusted earnings. However, adjusted earnings is not, and should not be viewed as, a substitute for earnings prepared under U.S. GAAP. Adjusted earnings is presented solely to allow investors to more fully understand how we assess our financial performance.

Revenues for the quarter ended October 3, 2015 decreased by 0.6% to \$306,007 from \$307,887 for the quarter ended October 4, 2014. Revenues in SunOpta Foods increased by 1.9% to \$277,213 and revenues in Opta Minerals decreased by 19.7% to \$28,794. For the third quarter of 2015, compared with the third quarter of 2014, changes in foreign exchange rates caused a decline in revenue of approximately \$8,500 on a consolidated basis and approximately \$6,700 within SunOpta Foods; changes in commodity-related pricing caused a decline in revenue of approximately \$3,500 on a consolidated basis and within SunOpta Foods; and business acquisitions, product rationalizations and other changes caused a net increase in revenue of approximately \$5,500 on a consolidated basis and within SunOpta Foods. Excluding the impact of these items, revenues increased approximately 1.5% on a consolidated basis and approximately 3.5% within SunOpta Foods. SunOpta Foods' revenues reflected stronger demand for organic ingredients in the U.S. and Europe, and higher volumes of consumer-based healthy snack and premium juice retail products, partially offset by lower sunflower and grain-based ingredient volumes. At Opta Minerals, the decrease in revenues reflected competitive pressure in the infrastructure sector and a cyclical slowdown in the steel industry.

Gross profit decreased \$5,481, or 15.2%, to \$30,632 for the quarter ended October 3, 2015, compared with \$36,113 for the quarter ended October 4, 2014. As a percentage of revenues, gross profit for the quarter ended October 3, 2015 was 10.0% compared to 11.7% for the quarter ended October 4, 2014, a decrease of 1.7%. Within SunOpta Foods, the gross profit percentage was 9.5% for the third quarter of 2015, compared with 11.3% for the third quarter of 2014. The gross profit percentage within SunOpta Foods for the third quarter of 2015 would have been approximately 10.7%, excluding the impact of approximately \$1,858 in additional logistics costs stemming from transloading capacity constraints on imports and exports of organic raw materials which led to demurrage, detention and other related expenses within Global Ingredients; and approximately \$1,525 of costs related to the retrofit of our premium juice facility and expansion of our Allentown, Pennsylvania facility to add aseptic beverage processing and filling capabilities. The 0.6% decrease in SunOpta Foods gross profit percentage on an adjusted basis mainly reflected lower capacity utilization and a higher cost base within consumer-based product categories due to recent expansion activities, partially offset by improved performance in our rationalized sunflower operations and increased margin contribution from higher volumes of organic ingredients. The gross profit percentage at Opta Minerals improved to 15.0% in the third quarter of 2015, compared with 14.7% in the third quarter of 2014, primarily due to a favorable product mix, partially offset by approximately \$300 of reserves for slow-moving abrasives inventories.

Total segment operating income for the quarter ended October 3, 2015 decreased by \$6,024, or 49.3%, to \$6,205, compared with \$12,229 for the quarter ended October 4, 2014. As a percentage of revenues, segment operating income was 2.0% for the quarter ended October 3, 2015, compared with 4.0% for the quarter ended October 4, 2014. The decrease in segment operating income reflected lower overall gross profit as described above, and a \$295 increase in selling, general and administrative ( SG&A ) expenses, reflecting incremental expenses related to Citrusource and Niagara Natural, and higher litigation-related legal costs mainly related to the Plum dispute (as described in note 14 to the interim consolidated financial statements). Those factors were partially offset by lower short-term incentive accruals tied to operating performance and controlled discretionary spending at SunOpta Foods; the benefit from SG&A headcount reductions and other restructuring activities at Opta Minerals; and the favorable impact of a stronger U.S. dollar on SG&A expenses denominated in Canadian dollars and euros. As a percentage of revenues, SG&A expenses were 7.8% on a consolidated basis and 7.4% within SunOpta Foods. Excluding the impact of litigation costs of \$383, SG&A as a percentage of revenues within SunOpta Foods for the third quarter of 2015 would have been approximately 7.3%, which is in-line with our intention of maintaining SG&A below 8% of revenues within SunOpta Foods.

Further details on revenue, gross margin and segment operating income variances are provided below under Segmented Operations Information .

Other expense for the quarter ended October 3, 2015 of \$4,033 included severance costs of \$2,359 mainly related to our CEO succession, and business development costs of \$1,135, primarily incurred in connection with the Sunrise Acquisition, the acquisition of Niagara Natural, and the strategic review of Opta Minerals. Other expense for the quarter ended October 4, 2014 of \$11 included a gain on sale of assets of \$1,018, related to the disposal of certain of our sunflower production and storage facilities in order to reduce the cost structure and improve the production capacity utilization within our North American sunflower operations, which was more than offset by employee severance costs (including employees affected by the closure and sale of the sunflower facilities) and an asset impairment charge of \$505 at Opta Minerals related to the closure of one of its industrial minerals plants.

The decrease in interest expense of \$51 to \$1,919 for the quarter ended October 3, 2015, compared with \$1,970 for the quarter ended October 4, 2014, reflected lower overall borrowings within SunOpta Foods. Our interest expense will increase significantly in future period as a result of the borrowings we incurred to complete the Sunrise Acquisition.

In the third quarter of 2014, we recognized an impairment loss of \$8,441 on our non-core investment in Enchi Corporation ( Enchi ).





We recognized a recovery for income tax of \$411 for the quarter ended October 3, 2015, compared with a provision for income tax of \$2,267 for the quarter ended October 4, 2014, reflecting the impact of changes in the jurisdictional mix of earnings, mainly due to lower pre-tax earnings within our U.S.-based consumer products operations, and increased profitability in our international sourcing and supply operations.

Earnings attributable to non-controlling interests for the quarter ended October 3, 2015 were \$222, compared with earnings of \$157 for the quarter ended October 4, 2014, which primarily reflected higher net earnings at Opta Minerals.

On a consolidated basis, we recognized earnings of \$314 (diluted earnings per share of \$0.00) for the quarter ended October 3, 2015, compared with a loss of \$384 (diluted loss per share of \$0.01) for the quarter ended October 4, 2014.

For the quarter ended October 3, 2015, adjusted earnings were \$5,560 or \$0.08 per diluted share on a consolidated basis and \$4,739 or \$0.07 per diluted share within SunOpta Foods, as compared to adjusted earnings of \$7,737 or \$0.11 per diluted share on a consolidated basis and \$7,047 or \$0.10 per diluted share within SunOpta Foods for the quarter ended October 4, 2014. Adjusted earnings is a non-GAAP financial measure. See footnote (2) to the table above for a reconciliation of adjusted earnings from earnings attributable to SunOpta Inc. , which we consider to be the most directly comparable U.S. GAAP financial measure.

### Segmented Operations Information

#### SunOpta Foods

For the quarter ended	October 3, 2015	October 4, 2014	Change	% Change
Revenues	\$ 277,213	\$ 272,008	\$ 5,205	1.9%
Gross Margin	26,309	30,837	(4,528)	-14.7%
Gross Margin %	9.5%	11.3%		-1.8%
Operating Income	\$ 6,505	\$ 14,921	\$ (8,416)	-56.4%
Operating Income %	2.3%	5.5%		-3.2%

SunOpta Foods contributed \$277,213 or 90.6% of consolidated revenue for the quarter ended October 3, 2015, compared with \$272,008 or 88.3% of consolidated revenues for the quarter ended October 4, 2014, an increase of \$5,205 or 1.9% . The table below explains the increase in revenue by reportable segment for SunOpta Foods:

SunOpta Foods Revenue Changes	
Revenues for the quarter ended October 4, 2014	\$272,008
Decrease in Global Ingredients	(5,938)
Increase in Consumer Products	11,143
Revenues for the quarter ended October 3, 2015	<b>\$277,213</b>

Gross margin in SunOpta Foods decreased by \$4,528, or 14.7%, for the quarter ended October 3, 2015 to \$26,309, or 9.5% of revenues, compared to \$30,837, or 11.3% of revenues for the quarter ended October 4, 2014. The table below explains the decrease in gross margin by reportable segment for SunOpta Foods:

SunOpta Foods Gross Margin Changes	
Gross margin for the quarter ended October 4, 2014	\$30,837
Decrease in Global Ingredients	(253)
Decrease in Consumer Products	(4,275)

Gross margin for the quarter ended October 3, 2015	<b>\$26,309</b>
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Operating income in SunOpta Foods decreased by \$8,416, or 56.4%, for the quarter ended October 3, 2015 to \$6,505 or 2.3% of revenues, compared to \$14,921 or 5.5% of revenues for the quarter ended October 4, 2014. The table below explains the decrease in operating income for SunOpta Foods:

<b>SunOpta Foods Operating Income Changes</b>	
Operating income for the quarter ended October 4, 2014	\$14,921
Decrease in gross margin, as noted above	(4,528)
Increase in corporate cost allocations, due in part to centralization of services	(2,834)
Increase in foreign exchange losses	(717)
Higher SG&A costs	(337)
Operating income for the quarter ended October 3, 2015	<b>\$6,505</b>

Further details on revenue, gross margin and operating income variances within SunOpta Foods are provided in the segmented operations information that follows.

**Global Ingredients**

**For the quarter ended**      **October 3, 2015**      **October 4, 2014**      **Change**      **% Change**

Revenues	\$ 150,500	\$ 156,438	\$ (5,938)	-3.8%
Gross Margin	15,327	15,580	(253)	-1.6%
Gross Margin %	10.2%	10.0%		0.2%
Operating Income	\$ 4,642	\$ 6,933	\$ (2,291)	-33.0%
Operating Income %	3.1%	4.4%		-1.3%

Global Ingredients contributed \$150,500 in revenues for the quarter ended October 3, 2015, compared to \$156,438 for the quarter ended October 4, 2014, a decrease of \$5,938 or 3.8% . Excluding the impact of changes including foreign exchange rates, commodity-related pricing, and product rationalizations, Global Ingredients revenues decreased approximately 5.0% . The table below explains the decrease in revenue:

<b>Global Ingredients Revenue Changes</b>	
Revenues for the quarter ended October 4, 2014	\$156,438
Lower volumes of sunflower in-shell and kernel, and grain snacks, partially offset by higher volumes for non-GMO corn and soy	(6,977)
Unfavorable foreign exchange impact on euro denominated sales due to the stronger U.S. dollar	(6,695)
Decreased pricing of non-GMO corn, soy, organic feed and sunflower, partially offset by increased pricing of grain ingredients	(5,774)
Higher international sales volumes of organic fruits and vegetables, seeds and nuts, cocoa, oils, and organic feed, partially offset by lower volumes of sugar and sweeteners	7,294
Higher U.S. domestic sales volumes of organic fruits and vegetables, oils, coconut, and organic feed, partially offset by lower volumes of sugar and sweeteners, cocoa and quinoa	6,214
Revenues for the quarter ended October 3, 2015	<b>\$150,500</b>

Gross margin in Global Ingredients decreased by \$253 to \$15,327 for the quarter ended October 3, 2015 compared to \$15,580 for the quarter ended October 4, 2014, and the gross margin percentage increased by 0.2% to 10.2% . The increase in gross margin as a percentage of revenue was primarily due to favorable sales mix of higher margin organic raw materials and improved sunflower processing yields and operating efficiencies, partially offset by demurrage,

detention and other costs resulting from transloading capacity constraints and lower pricing spreads on non-GMO soy. The table below explains the decrease in gross margin:

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<b>Global Ingredients Gross Margin Changes</b>	
Gross margin for the quarter ended October 4, 2014	\$15,580
Margin impact of transloading capacity constraints leading to demurrage, detention and other related costs, and lower pricing of organic feed, partially offset by increased volumes and favorable product mix of organic raw ingredients	(1,588)
Increased pricing spread on non-GMO corn, organic feed and grain snacks, partially offset by lower margin spread on non-GMO soy, agronomy and grain ingredients	583
Mark to market gains related to commodity futures contracts for cocoa and other commodities, partially offset by unfavorable impact on gross margins due to weaker euro relative to U.S. dollar	493
Improved sunflower processing yields and operating efficiencies	259
Gross margin for the quarter ended October 3, 2015	<b>\$15,327</b>

Operating income in Global Ingredients decreased by \$2,291, or 33.0%, to \$4,642 for the quarter ended October 3, 2015, compared to \$6,933 for the quarter ended October 4, 2014. The table below explains the decrease in operating income:

<b>Global Ingredients Operating Income Changes</b>	
Operating income for the quarter ended October 4, 2014	\$6,933
Decrease in gross margin, as explained above	(253)
Decreased foreign exchange gains on forward derivative contracts	(1,172)
Increase in corporate cost allocations, due in part to centralization of services	(920)
Increase in SG&A expenses primarily due to higher compensation costs due to increase in headcount	(401)
Favorable impact on expenses due to the stronger U.S. dollar relative to the euro	455
Operating income for the quarter ended October 3, 2015	<b>\$4,642</b>

Looking forward, we believe Global Ingredients is well positioned in growing non-GMO and organic food categories. We intend to focus our efforts on (i) growing our identity preserved, non-GMO and organic sourcing and supply capabilities; (ii) leveraging our international sourcing and supply capabilities internally, and forward and backward integrating where opportunities exist; (iii) expanding our processing expertise and increasing our value-added capabilities; and (iv) expanding our international sales base via strategic relationships for procurement of product to drive incremental sales volume. The statements in this paragraph are forward-looking statements. See [Forward-Looking Statements](#) above. Increased supply pressure in the commodity-based markets in which we operate, increased competition, volume decreases or loss of customers, unexpected delays in our expansion plans, or our inability to secure quality inputs or achieve our product mix or cost reduction goals, along with the other factors described above under [Forward-Looking Statements](#), could adversely impact our ability to meet these forward-looking expectations.

**Consumer Products**

<b>For the quarter ended</b>	<b>October 3, 2015</b>	<b>October 4, 2014</b>	<b>Change</b>	<b>% Change</b>
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Revenues	\$ 126,713	\$ 115,570	\$ 11,143	9.6%
Gross Margin	10,982	15,257	(4,275)	-28.0%
Gross Margin %	8.7%	13.2%		-4.5%

Operating Income	\$ 1,863	\$ 7,988	\$ (6,125)	-76.7%
Operating Income %	1.5%	6.9%		-5.4%

Consumer Products contributed \$126,713 in revenues for the quarter ended October 3, 2015, compared to \$115,570 for the quarter ended October 4, 2014, a \$11,143 or 9.6% increase. Excluding the impact of changes including accretive acquisitions in the year, Consumer Products revenues increased approximately 2.7%. The table below explains the increase in revenue:

<b>Consumer Products Revenue Changes</b>	
Revenues for the quarter ended October 4, 2014	\$115,570
Incremental revenues as a result of Citrusource acquisition on March 2, 2015 and Niagara Natural on August 12, 2015	9,946
Increased sales of re-sealable pouch products, and higher fruit snacks volumes, partially offset by lower volumes of protein-based snacks	4,460
Decreased volumes of private label beverages as well as lower revenues on premium co-manufactured juices	(2,186)
Decreased volumes of private label retail frozen food offerings, partially offset by increased revenues of fruit toppings and bases	(1,077)
Revenues for the quarter ended October 3, 2015	<b>\$126,713</b>

Gross margin in Consumer Products decreased by \$4,275 to \$10,982 for the quarter ended October 3, 2015 compared to \$15,257 for the quarter ended October 4, 2014, and the gross margin percentage decreased by 4.5% to 8.7%. The decrease in gross margin as a percentage of revenue was due to lower production volumes leading to lower plant efficiency, as well as increased costs associated with the retrofit of our premium juice facility and expansion activities at our Allentown facility. The table below explains the decrease in gross margin:

<b>Consumer Products Gross Margin Changes</b>	
Gross margin for the quarter ended October 4, 2014	\$15,257
Decreased contribution from sales of aseptic and non-aseptic private label beverages, as fixed costs have increased from capacity expansion projects, leading to decreased operational efficiencies in advance of volume build	(3,145)
Increased raw material costs and low production volumes for frozen food offerings as well as fruit bases and toppings	(1,295)
Costs associated with the expansion of our Allentown facility for aseptic beverage production and costs associated with ramp-up activities at our premium juice facility in anticipation of increased extraction and bottling volume	(1,525)
Higher volumes of fruit-based snacks, partially offset by decreased contribution from sales of protein-based snacks, as well as lower plant efficiencies due to decreased production volumes	1,057

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Incremental margin as a result of Citrusource acquisition on March 2, 2015, partially offset by increased costs associated with the retrofit of our premium juice facility	633
Gross margin for the quarter ended October 3, 2015	<b>\$10,982</b>

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Operating income in Consumer Products decreased by \$6,125, or 76.7%, to \$1,863 for the quarter ended October 3, 2015, compared to \$7,988 for the quarter ended October 4, 2014. The table below explains the decrease in operating income:

<b>Consumer Products Operating Income Changes</b>	
Operating income for the quarter ended October 4, 2014	\$7,988
Decrease in gross margin, as explained above	(4,275)
Increase in corporate cost allocations, due in part to centralization of services	(1,914)
Lower compensation costs and professional fees driven by the benefit of centralization of services and lower short-term incentive accruals, partially offset by increased costs associated with the acquisitions of Citrusource and Niagara Natural	64
Operating income for the quarter ended October 3, 2015	<b>\$1,863</b>

Looking forward, we will continue to invest in our Consumer Products portfolio via internal growth and acquisitions, including the expansion of our aseptic processing capabilities at our Allentown facility, and further investment in our existing aseptic facilities to allow us to produce new carton formats and sizes. In addition, we believe the completion of the Sunrise Acquisition in the fourth quarter of 2015 is transformative for our company as it provides us with a leading market position in conventional and organic private label IQF fruit. All of these investments are designed to expand our ability to address fast growing markets, strengthen our revenue growth, and drive improvements in our margin profile and operating income. We also remain customer focused and continue to explore new ways to bring new value-added packaged products and processes to market, leveraging our global raw material sourcing and supply capabilities. The statements in this paragraph are forward-looking statements. See [Forward-Looking Statements](#) above. Unfavorable shifts in consumer preferences, increased competition, volume decreases or loss of customers, unexpected delays in our expansion and integration plans, inefficiencies in our manufacturing processes, lack of consumer product acceptance, or our inability to successfully implement the particular goals and strategies indicated above, along with the other factors described above under [Forward-Looking Statements](#), could have an adverse impact on these forward-looking expectations.

**Opta Minerals**

**For the quarter ended**      **October 3, 2015**      **October 4, 2014**      **Change**      **% Change**

Revenues	\$ 28,794	\$ 35,879	\$ (7,085)	-19.7%
Gross Margin	4,323	5,276	(953)	-18.1%
Gross Margin %	15.0%	14.7%		0.3%
Operating Income	\$ 2,105	\$ 898	\$ 1,207	134.4%
Operating Income %	7.3%	2.5%		4.8%

Opta Minerals contributed \$28,794 in revenues for the quarter ended October 3, 2015, compared to \$35,879 for the quarter ended October 4, 2014, a decrease of \$7,085 or 19.7%. The table below explains the decrease in revenue:

<b>Opta Minerals Revenue Changes</b>	
Revenues for the quarter ended October 4, 2014	\$35,879
Continued economic and competitive pressure in the infrastructure sector, driving down volumes from customers for industrial abrasive and industrial mineral products	(3,861)
Lower volumes from customers and a general slowdown in the steel industry	(3,224)
Revenues for the quarter ended October 3, 2015	<b>\$28,794</b>



Gross margin for Opta Minerals decreased by \$953 to \$4,323 for the quarter ended October 3, 2015 compared to \$5,276 for the quarter ended October 4, 2014, and the gross margin percentage increased by 0.3% to 15.0%, primarily due to a favorable product mix. The table below explains the decrease in gross margin:

<b>Opta Minerals Gross Margin Changes</b>	
Gross margin for the quarter ended October 4, 2014	\$5,276
Margin impact of lower volumes of abrasive and industrial mineral products, as well as decreased plant utilization and pricing pressure from competition	(725)
Margin impact of lower volumes of steel and magnesium products	(228)
Gross margin for the quarter ended October 3, 2015	<b>\$4,323</b>

Operating income for Opta Minerals increased by \$1,207, or 134.4%, to \$2,105 for the quarter ended October 3, 2015, compared to \$898 for the quarter ended October 4, 2014. The table below explains the increase in operating income:

<b>Opta Minerals Operating Income Changes</b>	
Operating income for the quarter ended October 4, 2014	\$898
Decrease in gross margin, as explained above	(953)
Decrease in foreign exchange losses due to translation of foreign denominated loans and intercompany balances	1,398
Decrease in SG&A, primarily due to lower compensation as a result of synergies captured through the rationalization and integration of acquired businesses	762
Operating income for the quarter ended October 3, 2015	<b>\$2,105</b>

We have identified Opta Minerals as a non-core holding. Opta Minerals is continuing to review strategic alternatives available to it to enhance value for all shareholders. Opta Minerals is focused on leveraging its global platform to drive expansion of existing product offerings to a wider customer base and new geographies. In addition, it continues to focus on maximizing operating efficiencies through streamlining its manufacturing platform and product portfolio within the markets it serves. We own approximately 66% of Opta Minerals and segment operating income is presented prior to non-controlling interest expense. The statements in this paragraph are forward-looking statements. See [Forward-Looking Statements](#) above. An extended period of softness in the steel and foundry industries, slowdowns in the economy, or delays in bringing new products and operations completely online, along with the other factors described above under [Forward-Looking Statements](#), could have a further adverse impact on the results of operations of Opta Minerals.

**Corporate Services**

<b>For the quarter ended</b>	<b>October 3, 2015</b>	<b>October 4, 2014</b>	<b>Change</b>	<b>% Change</b>
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Operating Loss	\$ (2,405)	\$ (3,590)	\$ 1,185	33.0%
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Operating loss at Corporate Services decreased by \$1,185 to \$2,405 for the quarter ended October 3, 2015, from a loss of \$3,590 for the quarter ended October 4, 2014. The table below explains the decrease in operating loss:

<b>Corporate Services Operating Loss Changes</b>	
Operating loss for the quarter ended October 4, 2014	\$(3,590)
Increase in corporate management fees that are allocated to SunOpta operating groups, due in part to a centralization of services	2,834
Increased information technology IT consulting, professional fees and other general office spending, including higher litigation-related legal costs	(1,000)
Higher compensation-related costs due to increased headcount, stock-based compensation and health benefits, partially offset by lower short-term incentive accruals	(453)
Increase in foreign exchange losses	(196)
Operating loss for the quarter ended October 3, 2015	<b>\$(2,405)</b>

Management fees mainly consist of salaries of corporate personnel who perform back office functions for divisions, as well as costs related to the enterprise resource management system. These expenses are allocated to the groups based on (1) specific identification of allocable costs that represent a service provided to each segment and (2) a proportionate distribution of costs based on a weighting of factors such as revenue contribution and number of people employed within each segment.

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## Consolidated Results of Operations for the three quarters ended October 3, 2015 and October 4, 2014

For the three quarters ended	October 3, 2015 \$	October 4, 2014 \$	Change \$	Change %
<b>Revenues</b>				
SunOpta Foods	828,756	852,174	(23,418)	-2.7%
Opta Minerals	87,925	105,667	(17,742)	-16.8%
<b>Total revenues</b>	<b>916,681</b>	<b>957,841</b>	<b>(41,160)</b>	<b>-4.3%</b>
<b>Gross profit</b>				
SunOpta Foods	85,132	98,465	(13,333)	-13.5%
Opta Minerals	12,102	16,688	(4,586)	-27.5%
<b>Total gross profit</b>	<b>97,234</b>	<b>115,153</b>	<b>(17,919)</b>	<b>-15.6%</b>
<b>Segment operating income (loss)<sup>(1)</sup></b>				
SunOpta Foods	29,049	46,666	(17,617)	-37.8%
Opta Minerals	2,313	3,494	(1,181)	-33.8%
Corporate Services	(6,006)	(9,201)	3,195	34.7%
<b>Total segment operating income</b>	<b>25,356</b>	<b>40,959</b>	<b>(15,603)</b>	<b>-38.1%</b>
Other expense (income), net	6,165	(993)	7,158	720.8%
<b>Earnings from continuing operations before the following</b>	<b>19,191</b>	<b>41,952</b>	<b>(22,761)</b>	<b>-54.3%</b>
Interest expense, net	6,835	6,128	707	11.5%
Impairment loss on investment	-	8,441	(8,441)	-100.0%
Provision for income taxes	5,969	12,290	(6,321)	-51.4%
Earnings from continuing operations	6,387	15,093	(8,706)	-57.7%
Earnings (loss) attributable to non-controlling interests	(1,472)	426	(1,898)	-445.5%
Earnings (loss) from discontinued operations, net of taxes	(262)	297	(559)	-188.2%
<b>Earnings attributable to SunOpta Inc.<sup>(2)</sup></b>	<b>7,597</b>	<b>14,964</b>	<b>(7,367)</b>	<b>-49.2%</b>

(1) When assessing the financial performance of our operating segments, we use an internal measure of operating income that excludes other income/expense items and any goodwill impairment losses determined in accordance with U.S. GAAP. This measure is the basis on which management, including the Chief Executive Officer, assesses the underlying performance of our operating segments. We believe that disclosing this non-GAAP measure assists investors in comparing financial performance across reporting periods on a consistent basis by excluding items that are not indicative of our core operating performance. However, the non-GAAP measure of operating income should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP. The following table presents a reconciliation of segment operating income (loss) to earnings from continuing operations before the following, which we consider to be the most directly comparable U.S. GAAP financial measure.

For the three quarters ended October 3, 2015	Global Ingredients \$	Consumer Products \$	SunOpta Foods \$	Opta Minerals \$	Corporate Services \$	Consol- idated \$
	23,934	5,115	29,049	2,313	(6,006)	25,356

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Segment operating income (loss)						
Other expense, net	(379)	(534)	(913)	(1,772)	(3,480)	(6,165)
Earnings (loss) from continuing operations before the following	23,555	4,581	28,136	541	(9,486)	19,191

**October 4, 2014**

Segment operating income (loss)	19,254	27,412	46,666	3,494	(9,201)	40,959
Other income (expense), net	757	1,336	2,093	(1,063)	(37)	993
Earnings (loss) from continuing operations before the following	20,011	28,748	48,759	2,431	(9,238)	41,952

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We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude from segment operating income. However, any measure of operating income excluding any or all of these items is not, and should not be viewed as, a substitute for operating income prepared under U.S. GAAP. These items are presented solely to allow investors to more fully understand how we assess financial performance.

- (2) The following table presents a reconciliation of adjusted earnings from earnings attributable to SunOpta Inc., which we consider to be the most directly comparable U.S. GAAP financial measure (refer to note (1) to the Consolidated Results of Operations for the quarters ended October 3, 2015 and October 4, 2014).

	SunOpta Foods		Opta Minerals		Consolidated	
	Per Diluted		Per Diluted		Per Diluted	
	Share	Share	Share	Share	Share	Share
<b>For the three quarters ended</b>	\$	\$	\$	\$	\$	\$
<b>October 3, 2015</b>						
Earnings (loss) attributable to SunOpta Inc.	10,294	0.15	(2,697)	(0.04)	7,597	0.11
Loss from discontinued operations, net of income taxes	262	-	-	-	262	-
Earnings (loss) from continuing operations attributable to SunOpta Inc.	10,556	0.15	(2,697)	(0.04)	7,859	0.11
Adjusted for:						
Demurrage, detention and other related expenses <sup>(a)(c)</sup>	1,858	-	-	-	1,858	-
Plant expansion and start-up costs <sup>(a)</sup>	2,220	-	-	-	2,220	-
Litigation costs <sup>(b)</sup>	1,177	-	-	-	1,177	-
Other expense, net	4,393	-	1,772	-	6,165	-
Net income tax effect of preceding adjustments	(3,658)	-	(469)	-	(4,127)	-
Non-controlling interests' share of preceding adjustments	-	-	(467)	-	(467)	-
Adjusted earnings (loss)	16,546	0.24	(1,861)	(0.03)	14,685	0.21
<b>October 4, 2014</b>						
Earnings attributable to SunOpta Inc.	14,541	0.21	423	0.01	14,964	0.22
Earnings from discontinued operations, net of income taxes	(297)	-	-	-	(297)	-
Earnings from continuing operations attributable to SunOpta Inc.	14,244	0.21	423	0.01	14,667	0.21
Adjusted for:						
Impairment loss on investment	8,441	-	-	-	8,441	-
Other expense (income), net	(1,826)	-	833	-	(993)	-
Net income tax effect of preceding adjustments	652	-	(153)	-	499	-
Non-controlling interests' share of preceding adjustments	-	-	(135)	-	(135)	-
Adjusted earnings	21,511	0.32	968	0.01	22,479	0.33

- (a) Included in cost of goods sold.
- (b) Included in selling, general and administrative expenses.
- (c) Demurrage, detention and other related expenses represent additional logistics costs stemming from capacity constraints on imports and exports within the Global Ingredients segment.

Revenues for the three quarters ended October 3, 2015 decreased by 4.3% to \$916,681 from \$957,841 for the three quarters ended October 4, 2014. Revenues in SunOpta Foods decreased by 2.7% to \$828,756 and revenues in Opta Minerals decreased by 16.8% to \$87,925. For the first three quarters of 2015, compared with the first three quarters of 2014, changes in foreign exchange rates caused a decline in revenue of approximately \$30,300 on a consolidated basis and approximately \$25,500 within SunOpta Foods; changes in commodity-related pricing caused a decline in revenue of approximately \$8,900 on a consolidated basis and within SunOpta Foods; and business acquisitions, product rationalizations and other changes caused a net increase in revenue of approximately \$1,600 on a consolidated basis and within SunOpta Foods. In addition, the additional week of sales in the first three quarters of 2014 contributed to a decline of approximately \$21,281 in year-over-year revenues on a consolidated basis and within SunOpta Foods. Excluding the impact of these items, revenues increased approximately 1.9% on a consolidated basis and approximately 3.7% within SunOpta Foods. SunOpta Foods' revenues reflected stronger demand for organic ingredients in the U.S. and Europe, offset by the impact of lower volumes of consumer-based aseptic beverage and frozen food retail products, as well as lower sunflower and grain-based ingredient volumes. At Opta Minerals, the decrease in revenues reflected competitive pressure in the infrastructure sector and a cyclical slowdown in the steel industry.



Gross profit decreased \$17,919, or 15.6%, to \$97,234 for the three quarters ended October 3, 2015, compared with \$115,153 for the three quarters ended October 4, 2014. As a percentage of revenues, gross profit for the three quarters ended October 3, 2015 was 10.6% compared to 12.0% for the three quarters ended October 4, 2014, a decrease of 1.4%. Within SunOpta Foods, the gross profit percentage was 10.3% for the first three quarters of 2015, compared with 11.6% for the first three quarters of 2014. The gross profit percentage within SunOpta Foods for the first three quarters of 2015 would have been approximately 10.7%, excluding the impact of approximately \$1,858 in additional logistics costs stemming from transloading capacity constraints on imports and exports of organic raw materials which led to demurrage, detention and other related expenses within Global Ingredients; and approximately \$1,525 of costs related to the retrofit of our premium juice facility and expansion of our Allentown, Pennsylvania facility to add aseptic beverage processing and filling capabilities. The 0.9% decrease in SunOpta Foods gross profit percentage on an adjusted basis mainly reflected lower capacity utilization and a higher cost base within consumer-based product categories due to recent expansion activities, partially offset by improved performance in our rationalized sunflower operations and increased margin contribution from higher volumes of organic ingredients. The gross profit percentage at Opta Minerals declined to 13.8% in the first three quarters of 2015, compared with 15.8% in the first three quarters of 2014, primarily due to lower volumes of higher-margin steel products and competitive pricing pressure for abrasive and industrial mineral products, as well as the impact of approximately \$900 of reserves for slow-moving abrasives inventories.

Total segment operating income for the three quarters ended October 3, 2015 decreased by \$15,603, or 38.1%, to \$25,356, compared with \$40,959 for the three quarters ended October 4, 2014. As a percentage of revenues, segment operating income was 2.8% for the three quarters ended October 3, 2015, compared with 4.3% for the three quarters ended October 4, 2014. The decrease in segment operating income reflected lower overall gross profit as described above, partially offset by a \$1,455 decrease in SG&A expenses, reflecting lower employee short-term incentive accruals tied to operating performance and controlled discretionary spending at SunOpta Foods; the benefit from SG&A headcount and other restructuring activities at Opta Minerals; and the favorable impact of a stronger U.S. dollar on SG&A expenses denominated in Canadian dollars and euros. Those factors were partially offset by incremental expenses related to Citrusource and Niagara Natural, and higher litigation-related legal costs mainly related to the Plum dispute (as described in note 14 to the interim consolidated financial statements). As a percentage of revenues, SG&A expenses were 7.6% on a consolidated basis and 7.2% within SunOpta Foods. Excluding the impact of litigation costs of \$383, SG&A as a percentage of revenues within SunOpta Foods for the third quarter of 2015 would have been approximately 7.0%, which is in-line with our intention of maintaining SG&A below 8% of revenues within SunOpta Foods.

Further details on revenue, gross margin and segment operating income variances are provided below under Segmented Operations Information .

Other expense for the three quarters ended October 3, 2015 of \$6,165 included severance costs of \$3,413 mainly related to our CEO succession, as well as the departure of the former President and CEO of Opta Minerals during the second quarter of 2015; business development costs of \$1,658, primarily incurred in connection with the Sunrise Acquisition and the acquisitions of Citrusource and Niagara Natural, as well as the strategic review of Opta Minerals; and plant closure costs of \$392 at Opta Minerals related to the under-performance of certain of its industrial minerals operations. Other expense for the three quarters ended October 4, 2014 of \$993 included a gain on sale of assets of \$1,018, related to the disposal of certain of our sunflower production and storage facilities in order to reduce the cost structure and improve the production capacity utilization within our North American sunflower operations, and a gain of \$1,373 on the settlement of the earn-out related to the acquisition of Edner of Nevada, Inc. in December 2010. These gains were partially offset by employee severance costs (including employees affected by the closure and sale of the sunflower facilities) and an asset impairment charge of \$505 at Opta Minerals related to the closure of one of its industrial minerals plants.

The increase in interest expense of \$707 to \$6,835 for the three quarters ended October 3, 2015, compared with \$6,128 for the three quarters ended October 4, 2014, was primarily due to an acceleration of the amortization of

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deferred financing costs related to Opta Minerals' non-revolving term credit facility of \$655 and the reclassification of the accumulated amount recorded in other comprehensive earnings/loss related to the interest rate swaps used to hedge a portion of Opta Minerals' non-revolving term credit facility of \$458, all in connection with the breach by Opta Minerals of certain of its financial covenants in the second quarter of 2015, partially offset by lower overall borrowings within SunOpta Foods.

In the third quarter of 2014, we recognized an impairment loss of \$8,441 on our non-core investment in Enchi Corporation ( Enchi ).

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The provision for income tax for the three quarters ended October 3, 2015 was \$5,969, or 48.3% of earnings before taxes, compared with \$12,290, or 34.3% of earnings before taxes, for the three quarters ended October 4, 2014 (excluding the impairment loss on investment for which the related deferred tax asset is considered more likely than not to be unrealized). The increase in the effective tax rate mainly reflected a valuation allowance of approximately \$1,600 recorded by Opta Minerals in the second quarter of 2015 in connection with the current uncertainty as to its ability to realize certain deferred tax assets, partially offset by a change in the jurisdictional mix of earnings, which reflected lower pre-tax earnings within our U.S.-based consumer products operations, and increased profitability in our international sourcing and supply operations.

Losses attributable to non-controlling interests for the three quarters ended October 3, 2015 were \$1,472, compared with earnings of \$426 for the three quarters ended October 4, 2014, which primarily reflected lower year-over-year net earnings at Opta Minerals.

On a consolidated basis, we recognized earnings of \$7,597 (diluted earnings per share of \$0.11) for the three quarters ended October 3, 2015, compared with earnings of \$14,964 (diluted earnings per share of \$0.21) for the three quarters ended October 4, 2014.

For the three quarters ended October 3, 2015, adjusted earnings were \$14,685 or \$0.21 per diluted share on a consolidated basis and \$16,546 or \$0.24 per diluted share within SunOpta Foods, as compared to adjusted earnings of \$22,479 or \$0.33 per diluted share on a consolidated basis and \$21,511 or \$0.32 per diluted share within SunOpta Foods for the three quarters ended October 4, 2014. Adjusted earnings is a non-GAAP financial measure. See footnote (2) to the table above for a reconciliation of adjusted earnings from earnings attributable to SunOpta Inc. , which we consider to be the most directly comparable U.S. GAAP financial measure.

### Segmented Operations Information

#### SunOpta Foods

For the three quarters ended	October 3, 2015	October 4, 2014	Change	% Change
Revenues	\$ 828,756	\$ 852,174	\$ (23,418)	-2.7%
Gross Margin	85,132	98,465	(13,333)	-13.5%
Gross Margin %	10.3%	11.6%		-1.3%
Operating Income	\$ 29,049	\$ 46,666	\$ (17,617)	-37.8%
Operating Income %	3.5%	5.5%		-2.0%

SunOpta Foods contributed \$828,756 or 90.4% of consolidated revenue for the three quarters ended October 3, 2015, compared with \$852,174 or 89.0% of consolidated revenues for the three quarters ended October 4, 2014, a decrease of \$23,418 or 2.7% . The table below explains the decrease in revenue by reportable segment for SunOpta Foods:

SunOpta Foods Revenue Changes	
Revenues for the three quarters ended October 4, 2014	\$852,174
Increase in Global Ingredients	1,838
Decrease in Consumer Products	(3,975)
Impact on revenues from one additional week in the first quarter of 2014	(21,281)
Revenues for the three quarters ended October 3, 2015	<b>\$828,756</b>



Gross margin in SunOpta Foods decreased by \$13,333, or 13.5%, for the three quarters ended October 3, 2015 to \$85,132, or 10.3% of revenues, compared to \$98,465, or 11.6% of revenues for the three quarters ended October 4, 2014. The table below explains the decrease in gross margin by reportable segment for SunOpta Foods:

<b>SunOpta Foods Gross Margin Changes</b>	
Gross margin for the three quarters ended October 4, 2014	\$98,465
Increase in Global Ingredients	5,403
Decrease in Consumer Products	(18,736)
Gross margin for the three quarters ended October 3, 2015	<b>\$85,132</b>

Operating income in SunOpta Foods decreased by \$17,617, or 37.8%, for the three quarters ended October 3, 2015 to \$29,049 or 3.5% of revenues, compared to \$46,666 or 5.5% of revenues for the three quarters ended October 4, 2014. The table below explains the decrease in operating income for SunOpta Foods:

<b>SunOpta Foods Operating Income Changes</b>	
Operating income for the three quarters ended October 4, 2014	\$46,666
Decrease in gross margin, as noted above	(13,333)
Increase in corporate cost allocations, due in part to centralization of services	(7,890)
Increase in foreign exchange gains	1,725
Lower SG&A costs	1,881
Operating income for the three quarters ended October 3, 2015	<b>\$29,049</b>

Further details on revenue, gross margin and operating income variances within SunOpta Foods are provided in the segmented operations information that follows.

**Global Ingredients**

<b>For the three quarters ended</b>	<b>October 3, 2015</b>	<b>October 4, 2014</b>	<b>Change</b>	<b>% Change</b>
Revenues	\$ 467,405	\$ 477,240	\$ (9,835)	-2.1%
Gross Margin	53,225	47,822	5,403	11.3%
Gross Margin %	11.4%	10.0%		1.4%
Operating Income	\$ 23,934	\$ 19,254	\$ 4,680	24.3%
Operating Income %	5.1%	4.0%		1.1%

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Global Ingredients contributed \$467,405 in revenues for the three quarters ended October 3, 2015, compared to \$477,240 for the three quarters ended October 4, 2014, a decrease of \$9,835 or 2.1% . Excluding the impact of changes including foreign exchange rates, commodity-related pricing, product rationalizations, and the additional week of sales in the first quarter of 2014, Global Ingredients revenues increased approximately 13.0% . The table below explains the decrease in revenue:

<b>Global Ingredients Revenue Changes</b>	
Revenues for the three quarters ended October 4, 2014	\$477,240
Unfavorable foreign exchange impact on euro denominated sales due to the stronger U.S. dollar	(25,474)
Lower volumes of sunflower in-shell and kernel, and grain snacks, partially offset by higher volumes for non-GMO corn and soy	(21,089)
Impact on revenues for one additional week in the first quarter of 2014	(11,673)
Decreased pricing of non-GMO corn, soy and sunflower, partially offset by increased pricing of organic feed and agronomy products	(11,421)
Higher international sales volumes of organic fruits and vegetables, seeds and nuts, cocoa, oils, and organic feed, partially offset by lower volumes of sugar and sweeteners	34,792
Higher U.S. domestic sales volumes of organic fruits and vegetables, oils, coconut, and organic feed, partially offset by lower volumes of sugar and sweeteners, cocoa and quinoa	25,030
Revenues for the three quarters ended October 3, 2015	<b>\$467,405</b>

Gross margin in Global Ingredients increased by \$5,403 to \$53,225 for the three quarters ended October 3, 2015 compared to \$47,822 for the three quarters ended October 4, 2014, and the gross margin percentage increased by 1.4% to 11.4% . The increase in gross margin as a percentage of revenue was primarily due to favorable sales mix of higher margin organic raw materials and improved sunflower processing yields and operating efficiencies, partially offset by demurrage, detention and other costs resulting from transloading capacity constraints and lower pricing spreads on non-GMO and specialty soy and corn. The table below explains the increase in gross margin:

<b>Global Ingredients Gross Margin Changes</b>	
Gross margin for the three quarters ended October 4, 2014	\$47,822
Margin impact of increased volumes and favorable product mix of organic raw ingredients, as well as improved plant efficiencies at our cocoa processing facility, partially offset by demurrage, detention and other related costs resulting from transloading capacity constraints	7,261
Improved sunflower processing yields and operating efficiencies	489
Unfavorable impact on gross margins due to weaker euro relative to U.S. dollar, partially offset by mark to market gains related to commodity futures contracts for cocoa and other commodities	(2,207)
Margin impact of lower pricing spread on non-GMO soy and grain ingredients in the first few months of the year, partially offset by higher prices on grain snacks, organic feed and corn	(140)
Gross margin for the three quarters ended October 3, 2015	<b>\$53,225</b>

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Operating income in Global Ingredients increased by \$4,680, or 24.3%, to \$23,934 for the three quarters ended October 3, 2015, compared to \$19,254 for the three quarters ended October 4, 2014. The table below explains the increase in operating income:

<b>Global Ingredients Operating Income Changes</b>	
Operating income for the three quarters ended October 4, 2014	\$19,254
Increase in gross margin, as explained above	5,403
Favorable impact on expenses due to the stronger U.S. dollar relative to the euro	1,543
Decreased SG&A expenses due to lower discretionary spending	232
Increased foreign exchange gains on forward derivative contracts	182
Increase in corporate cost allocations, due in part to centralization of services	(2,680)
Operating income for the three quarters ended October 3, 2015	<b>\$23,934</b>

**Consumer Products**

<b>For the three quarters ended</b>	<b>October 3, 2015</b>	<b>October 4, 2014</b>	<b>Change</b>	<b>% Change</b>
Revenues	\$ 361,351	\$ 374,934	\$ (13,583)	-3.6%
Gross Margin	31,907	50,643	(18,736)	-37.0%
Gross Margin %	8.8%	13.5%		-4.7%
Operating Income	\$ 5,115	\$ 27,412	\$ (22,297)	-81.3%
Operating Income %	1.4%	7.3%		-5.9%

Consumer Products contributed \$361,351 in revenues for the three quarters ended October 3, 2015, compared to \$374,934 for the three quarters ended October 4, 2014, a \$13,583 or 3.6% decrease. Excluding the impact of changes including accretive acquisitions in the year, and the additional week of sales in the first quarter of 2014, Consumer Products revenues decreased approximately 4.1%. The table below explains the decrease in revenue:

<b>Consumer Products Revenue Changes</b>	
Revenues for the three quarters ended October 4, 2014	\$374,934
Lower volumes of aseptic beverages due to a change in mix and lower sales to the retail channel, in particular almond-based beverage sales, partially offset by increased sales of coconut based non-dairy into the food service channel, as well as lower sales of private label-beverages	(16,076)
Impact on revenues for one additional week in the first quarter of 2014	(9,608)
Decreased volumes of private label retail frozen food offerings, partially offset by increased revenues of fruit toppings and bases	(4,264)
Decreased sales volumes of fruit- and protein-based snacks, partially offset by incremental revenues from Niagara Natural business acquired in August 2015	(3,686)
Incremental revenues as a result of Citrusource acquisition on March 2, 2015 and Niagara Natural on August 12, 2015	20,051
Revenues for the three quarters ended October 3, 2015	<b>\$361,351</b>

Gross margin in Consumer Products decreased by \$18,736 to \$31,907 for the three quarters ended October 3, 2015 compared to \$50,643 for the three quarters ended October 4, 2014, and the gross margin percentage decreased by 4.7% to 8.8%. The decrease in gross margin as a percentage of revenue was due to lower production volumes leading

to lower plant efficiency, increased raw material costs along with a delay in price increases, as well as increased costs associated with the retrofit of our premium juice facility and expansion activities at our Allentown facility. The table below explains the decrease in gross margin:

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<b>Consumer Products Gross Margin Changes</b>	
Gross margin for the three quarters ended October 4, 2014	\$50,643
Decreased contribution from sales of aseptic and non-aseptic private label beverages, as well as lower production volumes leading to decreased operational efficiencies in advance of volume build	(9,291)
Increased raw material costs, delayed price increases, and lower volumes for frozen food offerings as well as fruit bases and toppings	(6,887)
Costs associated with the expansion of our Allentown facility for aseptic beverage production and costs associated with ramp-up activities at our premium juice facility in anticipation of increased extraction and bottling volume	(2,220)
Decreased contribution from sales of protein-based snacks, as well as lower plant efficiencies due to decreased production volumes, partially offset by higher volumes of re-sealable pouch products and fruit-based snacks	(1,226)
Incremental margin as a result of Citrusource acquisition on March 2, 2015, partially offset by increased costs associated with the retrofit of our premium juice facility	888
Gross margin for the three quarters ended October 3, 2015	<b>\$31,907</b>

Operating income in Consumer Products decreased by \$22,297, or 81.3%, to \$5,115 for the three quarters ended October 3, 2015, compared to \$27,412 for the three quarters ended October 4, 2014. The table below explains the decrease in operating income:

<b>Consumer Products Operating Income Changes</b>	
Operating income for the three quarters ended October 4, 2014	\$27,412
Decrease in gross margin, as explained above	(18,736)
Increase in corporate cost allocations due in part to centralization of services	(5,210)
Lower compensation costs and professional fees driven by the benefit of centralization of services and lower short-term incentive accruals, partially offset by increased costs associated with the acquisitions of Citrusource and Niagara Natural	1,649
Operating income for the three quarters ended October 3, 2015	<b>\$5,115</b>

### **Opta Minerals**

<b>For the three quarters ended</b>	<b>October 3, 2015</b>	<b>October 4, 2014</b>	<b>Change</b>	<b>% Change</b>
Revenues	\$ 87,925	\$ 105,667	\$ (17,742)	-16.8%
Gross Margin	12,102	16,688	(4,586)	-27.5%
Gross Margin %	13.8%	15.8%		-2.0%
Operating Income	\$ 2,313	\$ 3,494	\$ (1,181)	-33.8%
Operating Income %	2.6%	3.3%		-0.7%

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Opta Minerals contributed \$87,925 in revenues for the three quarters ended October 3, 2015, compared to \$105,667 for the three quarters ended October 4, 2014, a decrease of \$17,742 or 16.8% . The table below explains the decrease in revenue:

<b>Opta Minerals Revenue Changes</b>	
Revenues for the three quarters ended October 4, 2014	\$105,667
Continued economic and competitive pressure in the infrastructure sector, driving down ordered volumes from customers for abrasive and industrial mineral products	(10,901)
Lower ordered volumes from customers and a general slowdown in the steel industry	(6,841)
Revenues for the three quarters ended October 3, 2015	<b>\$87,925</b>

Gross margin for Opta Minerals decreased by \$4,586 to \$12,102 for the three quarters ended October 3, 2015 compared to \$16,688 for the three quarters ended October 4, 2014, and the gross margin percentage decreased by 2.0% to 13.8% . The decrease in gross margin as a percentage of revenue was due primarily to unfavorable changes in product mix, reflecting lower volumes of higher-margin steel and magnesium products, and increased raw material costs. The table below explains the decrease in gross margin:

<b>Opta Minerals Gross Margin Changes</b>	
Gross margin for the three quarters ended October 4, 2014	\$16,688
Margin impact of lower volumes of steel and magnesium products	(2,463)
Margin impact of lower volumes of abrasive and industrial mineral products, as well as increased raw material costs and decreased plant utilization	(2,123)
Gross margin for the three quarters ended October 3, 2015	<b>\$12,102</b>

Operating income for Opta Minerals decreased by \$1,181, or 33.8%, to \$2,313 for the three quarters ended October 3, 2015, compared to \$3,494 for the three quarters ended October 4, 2014. The table below explains the decrease in operating income:

<b>Opta Minerals Operating Income Changes</b>	
Operating income for the three quarters ended October 4, 2014	\$3,494
Decrease in gross margin, as explained above	(4,586)
Decrease in SG&A, primarily due to lower compensation as a result of synergies captured through the rationalization and integration of acquired businesses	2,098
Increase in foreign exchange gains due to translation of foreign denominated loans and intercompany balances	1,307
Operating income for the three quarters ended October 3, 2015	<b>\$2,313</b>

**Corporate Services**

<b>For the three quarters ended</b>	<b>October 3, 2015</b>	<b>October 4, 2014</b>	<b>Change</b>	<b>% Change</b>
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Operating Loss	\$ (6,006)	\$ (9,201)	\$ 3,195	34.7%
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Operating loss at Corporate Services decreased by \$3,195 to \$6,006 for the three quarters ended October 3, 2015, from a loss of \$9,201 for the three quarters ended October 4, 2014. The table below explains the decrease in operating loss:

<b>Corporate Services Operating Loss Changes</b>	
Operating loss for the three quarters ended October 4, 2014	\$(9,201)
Increase in corporate management fees that are allocated to SunOpta operating groups	7,890
Increased IT con	