

SunOpta Inc.  
Form 10-Q/A  
July 22, 2008

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended **June 30, 2007**  
**Amendment to a previously filed 10-Q**  
Commission File No. 0-9989

£

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

SUNOPTA INC.

(Exact name of registrant as specified in its charter)

**CANADA**

(Jurisdiction of Incorporation)

**Not Applicable**

(I.R.S. Employer Identification No.)

2838 Bovaird Drive West

**Brampton, Ontario L7A 0H2, Canada**

(Address of Principal Executive Offices)

**(905) 455-1990**

(Registrant's telephone number, including area code)

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

Yes

£ No Q

Edgar Filing: SunOpta Inc. - Form 10-Q/A

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act)

Large accelerated filer - No

Accelerated filer - Yes

Non-accelerated filer - No

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

Yes

£ No Q

At July 30, 2007 registrant had 56,639,449 common shares outstanding, the only class of registrant's common stock outstanding. There were no other classes of stock outstanding and the aggregate market value of voting stock held by non-affiliates at such date was \$637,760,196. The Company's common shares are traded on the Nasdaq National Market tier of the Nasdaq Stock Market under the symbol STKL and on the Toronto Stock Exchange under the symbol SOY.

There are 47 pages in the June 30, 2007 10-Q/A and the index follows the cover page.

**SUNOPTA INC.**

1

June 30, 2007 10-Q

---

SUNOPTA INC.  
FORM 10-Q/A  
Amendment No. 1 to Form 10-Q  
For the quarter ended June 30, 2007

PART I - FINANCIAL INFORMATION

Item 1.

Restated Condensed Consolidated Financial Statements

Restated Condensed Consolidated Statements of Earnings and Comprehensive Income for the three and six months ended June 30, 2007 and 2006.

Restated Condensed Consolidated Balance Sheets as at June 30, 2007 and December 31, 2006.

Restated Condensed Consolidated Statements of Shareholders' Equity as at June 30, 2007 and 2006.

Restated Condensed Consolidated Statements of Cash Flow for the three and six months ended June 30, 2007 and 2006.

Restated Notes to Condensed Consolidated Financial Statements.

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 4.

Disclosure Controls and Procedures

PART II - OTHER INFORMATION

Item 1A.

Risk Factors

Item 6.

Exhibits

All financial information is expressed in United States Dollars. The closing rate of exchange on July 30, 2007 was  
CDN \$1 = U.S. \$0.9360

EXPLANATORY NOTE TO QUARTERLY REPORT ON FORM 10-Q/A

On January 24, 2008, SunOpta Inc together with its wholly-owned subsidiaries (the "Company") announced its intention to restate its consolidated financial statements as at and for the periods ended March 31, June 30, and September 30, 2007. The Company files this Amendment No. 1 to its Quarterly Report on Form 10-Q for the period ended June 30, 2007 (this "Form 10-Q/A"), to reflect the correction of errors that were contained in the Company's second quarter 2007 Quarterly Report on Form 10-Q, originally filed with the Securities and Exchange Commission ("SEC") on August 10, 2007. The second quarter 2007 consolidated financial statements are restated to include the following:

- Adjustments to correctly reflect inventory costs and quantities within the Berry Operations of the SunOpta Fruit Group (Berry Operations include the previous acquisitions of Cleugh's Frozen Foods Inc., Pacific Fruit Processors Inc., Hess Food Group LLC, and the 2007 acquisitions of Baja California Congelados S.A. de C.V., Global Trading Inc. and Congeladora Del Rio S.A. de C.V.);

Adjustments identified in connection with the December 31, 2007 year end closing process that related to the three and six month periods ended June 30, 2007 and other adjustments deemed not to be material to the consolidated financial statements when the Company's second quarter 2007 Quarterly Report on Form 10-Q was originally filed.

The Company added revised disclosure in note 2 to the restated condensed consolidated financial statements, to describe in more detail the nature and impact of the adjustments to the previously filed second quarter 2007 consolidated financial statements. The Company has also updated the discussion under Item 4. Disclosure Controls and Procedures in connection with the restatement. Items 3 in Part I and 1, 2, 3, 4 and 5 in Part II, for which there is no change from the original filing, have been omitted.

**SUNOPTA INC.**

3

June 30, 2007 10-Q

---

PART I - FINANCIAL INFORMATION

Item 1 -

Restated Condensed Consolidated Financial Statements

SunOpta Inc.

For the Three and Six Months Ended June 30, 2007

(Unaudited)

**SUNOPTA INC.**

4

June 30, 2007 10-Q

---

Edgar Filing: SunOpta Inc. - Form 10-Q/A

SunOpta Inc.

Restated Condensed Consolidated Statements of Earnings and Comprehensive Income

For the three months ended June 30, 2007 and 2006

Unaudited

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

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
	\$	\$
	(Restated - note 2)	
<b>Revenues</b>	206,378	155,745
<b>Cost of goods sold</b>	170,828	128,399
<b>Gross profit</b>	35,550	27,346
Warehousing and distribution expenses	4,969	3,834
Selling, general and administrative expenses	23,138	14,600
Intangible asset amortization	1,012	737
Other expense, net	217	194
Foreign exchange gain	(378)	(597)
<b>Earnings before the following</b>	6,592	8,578
Interest expense, net	(1,817)	(1,748)
<b>Earnings before income taxes</b>	4,775	6,830
Provision for income taxes	1,048	2,087
<b>Earnings before minority interest</b>	3,727	4,743
Minority interest	322	400
<b>Earnings for the period</b>	3,405	4,343
Change in foreign currency translation adjustment	5,546	1,860
<b>Comprehensive income</b>	8,951	6,203
<b>Earnings per share for the period</b> (note 7)		
<b>Basic</b>	0.05	0.08
<b>Diluted</b>	0.05	0.08

(See accompanying notes to restated condensed consolidated financial statements)

Edgar Filing: SunOpta Inc. - Form 10-Q/A

SunOpta Inc.

Restated Condensed Consolidated Statements of Earnings and Comprehensive Income

For the six months ended June 30, 2007 and 2006

Unaudited

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

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
	\$	\$
	(Restated note 2)	
<b>Revenues</b>	389,878	289,057
<b>Cost of goods sold</b>	323,607	238,083
<b>Gross profit</b>	66,271	50,974
Warehousing and distribution expenses	9,907	7,492
Selling, general and administrative expenses	44,187	27,787
Intangible asset amortization	1,995	1,281
Other expense, net	406	279
Foreign exchange gain	(449)	(389)
<b>Earnings before the following</b>	10,225	14,524
Interest expense, net	(3,729)	(3,147)
<b>Earnings before income taxes</b>	6,496	11,377
Provision for income taxes	1,513	3,490
<b>Earnings before minority interest</b>	4,983	7,887
Minority interest	524	532
<b>Earnings for the period</b>	4,459	7,355
Change in foreign currency translation adjustment	6,211	1,747
<b>Comprehensive income</b>	10,670	9,102
<b>Earnings per share for the period</b> (note 7)		
<b>Basic</b>	0.07	0.13
<b>Diluted</b>	0.07	0.13

(See accompanying notes to restated condensed consolidated financial statements)

SUNOPTA INC.

6

June 30, 2007 10-Q

Edgar Filing: SunOpta Inc. - Form 10-Q/A

SunOpta Inc.

Restated Condensed Consolidated Balance Sheets

As at June 30, 2007 and December 31, 2006

Unaudited

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

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
	\$	\$
<b>Assets</b>		
	(Restated note 2)	
<b>Current assets</b>		
Cash and cash equivalents (note 13)	29,680	954
Accounts receivable	99,358	73,599
Inventories (note 5)	168,661	126,736
Prepaid expenses and other current assets	7,451	8,129
Current income taxes recoverable	-	1,829
Deferred income taxes	2,158	1,824
	307,308	213,071
<b>Property, plant and equipment</b>	103,794	87,487
<b>Goodwill</b> (note 3)	54,890	50,521
<b>Intangible assets, net</b> (note 3)	47,607	46,879
<b>Deferred income taxes</b>	5,349	5,615
<b>Other assets</b> (note 10(a))	3,067	1,157
	522,105	404,730
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 8)	63,813	40,663
Accounts payable and accrued liabilities	86,583	80,851
Customer and other deposits	570	957
Current portion of long-term debt (note 8)	7,947	8,433
Current portion of long-term liabilities	1,289	1,736
	160,202	132,640
<b>Long-term debt</b> (note 8)	68,456	69,394
<b>Long-term liabilities</b>	3,065	3,607
<b>Deferred income taxes</b>	9,798	12,156
	241,521	217,797
<b>Preferred shares issued by subsidiary</b> (note 4)	27,224	-
<b>Minority interest</b>	10,809	10,230
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 6)	166,616	112,318
63,103,383 common shares (December 31, 2006 57,672,053)		



Edgar Filing: SunOpta Inc. - Form 10-Q/A

648,300 warrants (December 31, 2006 Nil)		
<b>Additional paid in capital</b> (note 6)	4,968	4,188
<b>Retained earnings</b>	55,897	51,338
<b>Cumulative other comprehensive income</b>	15,070	8,859
	242,551	176,703
	522,105	404,730

(See accompanying notes to restated condensed consolidated financial statements)

SUNOPTA INC.

7

June 30, 2007 10-Q

---

Edgar Filing: SunOpta Inc. - Form 10-Q/A

SunOpta Inc.

Restated Condensed Consolidated Statements of Shareholders' Equity

As at June 30, 2007 and 2006

Unaudited

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

	<b>Capital stock</b>	<b>Additional paid in capital</b>	<b>Retained earnings</b>	<b>Cumulative other comprehensive income</b>	<b>Total</b>
	\$	\$	\$	\$	\$
					(Restated note 2)
Balance at December 31, 2006	112,318	4,188	51,338	8,859	176,703
Options exercised	1,237	-	-	-	1,237
Employee stock purchase plan	417	-	-	-	417
Equity offering	51,882	-	-	-	51,882
Warrants issued	762	-	-	-	762
Stock based compensation	-	780	-	-	780
Adoption of new accounting policy (note 14)	-	-	100	-	100
Earnings for the period	-	-	4,459	-	4,459
Currency translation adjustment	-	-	-	6,211	6,211
Balance at June 30, 2007	166,616	4,968	55,897	15,070	242,551

	<b>Capital stock</b>	<b>Additional paid in capital</b>	<b>Retained earnings</b>	<b>Cumulative other comprehensive income</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Balance at December 31, 2005	106,678	3,235	40,379	9,792	160,084
Warrants exercised	60	-	-	-	60
Options exercised	2,639	-	-	-	2,639
Employee stock purchase plan	278	-	-	-	278
Stock based compensation	-	166	-	-	166
Earnings for the period	-	-	7,355	-	7,355
Currency translation adjustment	-	-	-	1,747	1,747
Balance at June 30, 2006	109,655	3,401	47,734	11,539	172,329
(See accompanying notes to restated condensed consolidated financial statements)					

SUNOPTA INC.

8

June 30, 2007 10-Q

## SunOpta Inc.

Restated Condensed Consolidated Statements of Cash Flow

For the three months ended June 30, 2007 and 2006

Unaudited

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

	June 30, 2007 \$	June 30, 2006 \$
(Restated note 2)		
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Earnings for the period	3,405	4,343
Items not affecting cash		
Amortization	3,496	2,731
Deferred income taxes	(265)	115
Minority interest	322	400
Other	307	449
Changes in non-cash working capital, net of businesses acquired (note 9)	(17,359)	229
	(10,094)	8,267
<b>Investing activities</b>		
Acquisition of companies, net of cash acquired	(13,380)	-
Purchases of property, plant and equipment, net	(7,104)	(2,069)
Other	(88)	182
	(20,572)	(1,887)
<b>Financing activities</b>		
Increase (decrease) in line of credit facilities	32,306	(7,478)
Borrowings under long-term debt	-	258
Repayment of long-term debt	(1,518)	(1,160)
Proceeds from the issuance of common shares, net of issuance costs	887	2,107
Proceeds from the issuance of preference shares by subsidiary (note 4)	27,954	-
Payment of deferred purchase consideration	-	(260)
Other	54	(241)
	59,683	(6,774)
<b>Foreign exchange gain on cash held in a foreign currency</b>	214	2
<b>Increase (decrease) in cash and cash equivalents during the period</b>	29,231	(392)
<b>Cash and cash equivalents beginning of the period</b>	449	5,068
<b>Cash and cash equivalents end of the period</b>	29,680	4,676

See note 9 for supplemental cash flow information

(See accompanying notes to restated condensed consolidated financial statements)

Edgar Filing: SunOpta Inc. - Form 10-Q/A

SunOpta Inc.

Restated Condensed Consolidated Statements of Cash Flow

For the six months ended June 30, 2007 and 2006

Unaudited

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

	June 30, 2007 \$	June 30, 2006 \$
	(Restated note 2)	
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Earnings for the period	4,459	7,355
Items not affecting cash		
Amortization	6,927	5,346
Deferred income taxes	(1,295)	436
Minority interest	524	532
Other	544	557
Changes in non-cash working capital, net of businesses acquired (note 9)	(49,531)	(6,467)
	(38,372)	7,759
<b>Investing activities</b>		
Acquisition of companies, net of cash acquired	(13,380)	(12,197)
Purchases of property, plant and equipment, net	(12,481)	(4,824)
Purchase of patents, trademarks and other intangible assets	(887)	-
Other	(1,331)	171
	(28,079)	(16,850)
<b>Financing activities</b>		
Increase in line of credit facilities	21,734	5,358
Borrowings under long-term debt	1,500	2,800
Repayment of term debt	(7,504)	(2,304)
Proceeds from the issuance of common shares, net of issuance costs	52,616	2,977
Proceeds from the issuance of preference shares by subsidiary (note 4)	27,954	-
Payment of deferred purchase consideration	(1,089)	(260)
Other	-	(370)
	95,211	8,201
<b>Foreign exchange (loss) gain on cash held in a foreign currency</b>	(34)	111
<b>Increase (decrease) in cash and cash equivalents during the period</b>	28,726	(779)
<b>Cash and cash equivalents beginning of the period</b>	954	5,455
<b>Cash and cash equivalents end of the period</b>	29,680	4,676

See note 9 for supplemental cash flow information

(See accompanying notes to restated condensed consolidated financial statements)

## SunOpta Inc.

Restated Notes to Condensed Consolidated Financial Statements  
For the three and six months ended June 30, 2007 and 2006  
Unaudited  
(Expressed in thousands of U.S. dollars, except per share amounts)

1.

### **Basis of presentation**

The interim restated condensed consolidated financial statements of SunOpta Inc. (the Company) have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and in accordance with accounting principles generally accepted in the United States. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included and all such adjustments are of a normal, recurring nature. Operating results for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007. For further information, see the Company's consolidated financial statements, and notes thereto, included in the Annual Report on Form 10K for the year ended December 31, 2006.

The interim restated condensed consolidated financial statements include the accounts of the Company and its subsidiaries, and have been prepared on a basis consistent with the financial statements for the year ended December 31, 2006. All significant intercompany accounts and transactions have been eliminated on consolidation.

2.

### **Restatement of Previously Issued Financial Statements**

On January 24, 2008, the Company announced the discovery of errors related to inventories within the SunOpta Fruit Group's Berry Operations, and that as a result of those errors, the previously issued condensed consolidated financial statements for the three quarters of 2007 would need to be restated.

#### SunOpta Fruit Group - Berry Operations

To quantify the misstatement included in the Form 10-Q for the period ended June 30, 2007, (the "Original 10-Q"), the Company performed detailed procedures, analysis and reconciliations to correct for errors in the costing of inventory, the quantities of inventories held, the valuation of inventories at the lower of cost and market as at and for the three and six month periods ended June 30, 2007. These procedures were conducted by management with the assistance of independent accounting advisors. Based on this detailed examination, the Company determined that revenues, accounts receivable and inventories previously reported were overstated and that cost of sales and accounts payable previously reported were understated and accordingly, the consolidated financial statements as at and for the period ended June 30, 2007 required adjustment. Adjustments were required to correct for errors in cut-off of revenues and purchasing, costing of inventories, the reconciliation quantities of inventories held at third party warehouses, and the valuation of inventories at the lower of cost or market and the related income tax effects.

#### Other Adjustments

The restated condensed consolidated financial statements for the three and six months ended June 30, 2007 also include other adjustments that, when the condensed consolidated financial statements were originally filed, were considered either immaterial, or were identified during the December 31, 2007 year end closing process and related to the previously filed quarterly financial statements. Other adjustments include a reclassification from intangible assets to goodwill related to a business acquisition that occurred in 2006, a correction of gross margin recognized on an

in-progress project, corrections to the allocation of the purchase price to assets and liabilities of Congeladora del Rio S.A. de C.V. and Global Trading Inc., adjustments to eliminate intercompany revenue and associated cost of goods sold with no impact on gross profit, an adjustment to additional paid in capital to record a tax benefit related to the exercise of certain stock based awards and an adjustment to the fair value assigned to the warrants issued in conjunction with the preferred share issuance.

Compared to the previously filed second quarter consolidated financial statements, the impact of all adjustments was a decrease in earnings for the period of \$3,345 and a decrease in basic and diluted earnings per share of \$0.06 for the three months ended June 30, 2007. For the six months ended June 30, 2007 the impact of all adjustments was a decrease in earnings for the period of \$6,141 and a decrease in basic and diluted earnings per share of \$0.10.

The following table reconciles the balances from the Original 10-Q to the restated condensed consolidated financial statements:

**SUNOPTA INC.**

11

June 30, 2007 10-Q

---

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements  
 For the three and six months ended June 30, 2007 and 2006  
 Unaudited  
 (Expressed in thousands of U.S. dollars, except per share amounts)  
 2.

**Restatement of Financial Statements continued**

Condensed Consolidated Statement of Earnings and Comprehensive Income For the three months ended June 30, 2007	As Initially Reported (\$)	Berry Adjustments (\$)	Other Adjustments (\$)	Restated (\$)
<b>Revenues</b>	207,977	(410)	(1,189)	206,378
<b>Cost of goods sold</b>	167,859	3,311	(342)	170,828
<b>Gross profit</b>	40,118	(3,721)	(847)	35,550
Warehousing and distribution expenses	4,969	-	-	4,969
Selling, general and administrative expenses	22,962	4	172	23,138
Intangible asset amortization	1,012	-	-	1,012
Other expense, net	217	-	-	217
Foreign exchange	(227)	-	(151)	(378)
<b>Earnings before the following</b>	11,185	(3,725)	(868)	6,592
Interest expense, net	(1,817)	-	-	(1,817)
<b>Earnings before income taxes</b>	9,368	(3,725)	(868)	4,775
Provision for income taxes	2,296	(1,008)	(240)	1,048
<b>Earnings before minority interest</b>	7,072	(2,717)	(628)	3,727
Minority interest	322	-	-	322
<b>Earnings for the period</b>	6,750	(2,717)	(628)	3,405
Change in foreign currency translation adjustment	5,546	-	-	5,546
<b>Comprehensive income</b>	12,296	(2,717)	(628)	8,951
<b>Earnings per share for the period</b>				
<b>Basic</b>	0.11			0.05
<b>Diluted</b>	0.11			0.05

SUNOPTA INC.

12

June 30, 2007 10-Q

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

2.

**Restatement of Financial Statements continued**

Condensed Consolidated Statement of Earnings and Comprehensive Income For the six months ended June 30, 2007	As Initially Reported (\$)	Berry Adjustments (\$)	Other Adjustments (\$)	Restated (\$)
<b>Revenues</b>	391,417	(350)	(1,189)	389,878
<b>Cost of goods sold</b>	316,457	7,443	(293)	323,607
<b>Gross profit</b>	74,960	(7,793)	(896)	66,271
Warehousing and distribution expenses	9,907	-	-	9,907
Selling, general and administrative expenses	43,989	26	172	44,187
Intangible amortization	1,995	-	-	1,995
Other expense, net	406	-	-	406
Foreign exchange	(309)	-	(140)	(449)
<b>Earnings before the following</b>	18,972	(7,819)	(928)	10,225
Interest expense, net	(3,729)	-	-	(3,729)
<b>Earnings before income taxes</b>	15,243	(7,819)	(928)	6,496
Provision for income taxes	4,119	(2,310)	(296)	1,513
<b>Earnings before minority interest</b>	11,124	(5,509)	(632)	4,983
Minority interest	524	-	-	524
<b>Earnings for the period</b>	10,600	(5,509)	(632)	4,459
Change in foreign currency translation adjustment	6,211	-	-	6,211
<b>Comprehensive income</b>	16,811	(5,509)	(632)	10,670
<b>Earnings per share for the period</b>				
<b>Basic</b>	0.17			0.07
<b>Diluted</b>	0.17			0.07

SUNOPTA INC.

13

June 30, 2007 10-Q



**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

2.

**Restatement of Financial Statements continued**

Condensed Consolidated Balance Sheet As at June 30, 2007	As Initially Reported (\$)	Berry Adjustments (\$)	Other Adjustments (\$)	Restated (\$)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	29,680	-	-	29,680
Accounts receivable	99,708	(350)	-	99,358
Inventories	171,626	(2,793)	(172)	168,661
Prepaid expenses and other current assets	7,896	-	(445)	7,451
Deferred income taxes	1,824	-	334	2,158
	310,734	(3,143)	(283)	307,308
<b>Property, plant and equipment</b>	103,675	-	119	103,794
<b>Goodwill</b>	54,433	-	547	54,980
<b>Intangible assets, net</b>	48,771	-	(1,164)	47,607
<b>Deferred income taxes</b>	5,349	-	-	5,349
<b>Other assets</b>	2,462	-	605	3,067
	525,424	(3,143)	(176)	522,105
<b>Liabilities</b>				
<b>Current liabilities</b>				
Bank indebtedness	63,813	-	-	63,813
Accounts payable and accrued liabilities	81,799	4,676	108	86,583
Customer and other deposits	570	-	-	570
Current portion of long-term debt	7,947	-	-	7,947
Current portion of long-term liabilities	1,289	-	-	1,289
	155,418	4,676	108	160,202
<b>Long-term debt</b>	68,456	-	-	68,456
<b>Long-term liabilities</b>	3,065	-	-	3,065
<b>Deferred income taxes</b>	12,268	(2,310)	(160)	9,798
	239,207	2,366	(52)	241,521
<b>Preferred shares issued by subsidiary</b>	26,890	-	334	27,224
<b>Minority interest</b>	10,809	-	-	10,809
<b>Shareholders' Equity</b>				
<b>Capital stock</b>	166,876	-	(260)	166,616
<b>Additional paid in capital</b>	4,634	-	334	4,968

Edgar Filing: SunOpta Inc. - Form 10-Q/A

<b>Retained earnings</b>	61,938	(5,509)	(532)	55,897
<b>Cumulative other comprehensive income</b>	15,070	-	-	15,070
	248,518	(5,509)	(458)	242,551
	525,424	(3,143)	(176)	522,105

**SUNOPTA INC.**

14

June 30, 2007 10-Q

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

2.

**Restatement of Financial Statements continued**

Condensed Consolidated Statement of Cash Flows For the three months ended June 30, 2007	As Initially Reported (\$)	Berry Adjustments (\$)	Other Adjustments (\$)	Restated (\$)
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Earnings for the period	6,750	(2,717)	(628)	3,405
Items not affecting cash				
Amortization	3,496	-	-	3,496
Deferred income taxes	983	(1,008)	(240)	(265)
Minority interest	322	-	-	322
Other	307	-	-	307
Changes in non-cash working capital, net of businesses acquired	(21,997)	3,725	913	(17,359)
	(10,139)	-	45	(10,094)
<b>Investing activities</b>				
Acquisition of companies, net of cash acquired	(13,380)	-	-	(13,380)
Purchases of property, plant and equipment, net	(6,985)	-	(119)	(7,104)
Other	(88)	-	-	(88)
	(20,453)	-	(119)	(20,572)
<b>Financing activities</b>				
Increase in line of credit facilities	32,306	-	-	32,306
Borrowings under long-term debt	-	-	-	-
Repayment of long-term debt	(1,518)	-	-	(1,518)
Proceeds from the issuance of common shares, net of issuance costs	887	-	-	887
Proceeds from the issuance of preference shares by subsidiary	27,880	-	74	27,954
Payment of deferred purchase consideration	(1,089)	-	-	(1,089)
Other	1,143	-	-	1,143
	59,609	-	74	59,683
<b>Foreign exchange gain on cash held in a foreign     currency</b>	214	-	-	214
<b>Increase in cash and cash equivalents during the     period</b>	29,231	-	-	29,231
<b>Cash and cash equivalents beginning of the period</b>	449	-	-	449
<b>Cash and cash equivalents end of the period</b>	29,680	-	-	29,680



**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

2.

**Restatement of Financial Statements continued**

Condensed Consolidated Statement of Cash Flows For the six months ended June 30, 2007	As Initially Reported (\$)	Berry Adjustments (\$)	Other Adjustments (\$)	Restated (\$)
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Earnings for the period	10,600	(5,509)	(632)	4,459
Items not affecting cash				
Amortization	6,927	-	-	6,927
Deferred income taxes	1,311	(2,310)	(296)	(1,295)
Minority interest	524	-	-	524
Other	544	-	-	544
Changes in non-cash working capital, net of businesses acquired	(58,323)	7,819	973	(49,531)
	(38,417)	-	45	(38,372)
<b>Investing activities</b>				
Acquisition of companies, net of cash acquired	(13,380)	-	-	(13,380)
Purchases of property, plant and equipment, net	(12,362)	-	(119)	(12,481)
Purchase of patents, trademarks and other intangible assets	(887)	-	-	(887)
Other	(1,331)	-	-	(1,331)
	(27,960)	-	(119)	(28,079)
<b>Financing activities</b>				
Increase in line of credit facilities	21,734	-	-	21,734
Borrowings under long-term debt	1,500	-	-	1,500
Repayment of term debt	(7,504)	-	-	(7,504)
Proceeds from the issuance of common shares, net of issuance costs	52,616	-	-	52,616
Proceeds from the issuance of preference shares by subsidiary	27,880	-	74	27,954
Payment of deferred purchase consideration	(1,089)	-	-	(1,089)
	95,137	-	74	95,211
<b>Foreign exchange gain on cash held in a foreign     currency</b>				
	(34)	-	-	(34)
<b>Increase in cash and cash equivalents during the     period</b>				
	28,726	-	-	28,726
<b>Cash and cash equivalents beginning of the period</b>	954	-	-	954
<b>Cash and cash equivalents end of the period</b>	29,680	-	-	29,680



**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

3.

**Business acquisitions**

The Company completed two acquisitions in the quarter. All of these acquisitions have been accounted for using the purchase method of accounting and the condensed consolidated financial statements include the results of operations for these businesses from the date of acquisition. The following are the preliminary purchase allocations for these acquisitions:

	<b>Congeladora del Rio S.A. de C.V. and Global Trading Inc.</b>	<b>Baja California Congelados, S.A. de C.V.</b>	<b>Total</b>
	(a)	(b)	
	\$	\$	\$
			(Restated note 2)
<b>Net assets acquired:</b>			
Current assets	3,826	3,785	7,611
Property, plant and equipment	4,381	2,688	7,069
Goodwill	2,501	-	2,501
Intangible assets	74	-	74
Other long-term assets	605	-	605
Current liabilities	(798)	-	(798)
Deferred income tax liability	(236)	-	(236)
	10,353	6,473	16,826
<b>Consideration paid:</b>			
Cash consideration	6,853	6,473	13,326
Note payable	3,500	-	3,500
	10,353	6,473	16,826

As a result of the restatement described in note 2, the allocation of consideration paid to net assets acquired has been adjusted.

a)

**Congeladora del Rio S.A. de C.V. and Global Trading Inc.**

On May 14, 2007, SunOpta Inc. announced that it had completed the acquisitions of the net operating assets of Congeladora del Rio, S.A. de C.V. ("Del Rio"), and all of the outstanding shares of Global Trading Inc., ("Global") for total consideration of \$10,353. Consideration included cash of \$6,853 including acquisition costs and notes payable of \$3,500. No additional consideration is payable under the agreement. The promissory notes payable to former shareholders bear an interest rate of 6% and are payable in quarterly installments over the next three years. The goodwill acquired in this acquisition is not deductible for tax purposes.

Del Rio operates a fruit processing facility in Irapuato, Mexico. The facility processes strawberries, peaches, mangos, bananas, pineapples, honeydew melons and other fruits, into individually-quick frozen, block frozen and purees for the food service, industrial and retail markets. Under the terms of the agreement, SunOpta purchased all of the net

operating assets, including working capital, equipment, land and buildings.

Global, the U.S.-based marketing agent for Del Rio located in Greenville, South Carolina, markets the fruits processed at Del Rio. Global's offices include sales, customer service and accounting support.

The acquisitions of Del Rio and Global provide additional capacity plus other potentially synergistic opportunities to the SunOpta Fruit Group. In addition, the acquisition completes the Group's vertically integrated model for other fruit varieties, noted above, and expands its core production capabilities.

SUNOPTA INC.

17

June 30, 2007 10-Q

---



## SunOpta Inc.

Restated Notes to Condensed Consolidated Financial Statements  
For the three and six months ended June 30, 2007 and 2006  
Unaudited  
(Expressed in thousands of U.S. dollars, except per share amounts)

3.

Business acquisitions continued

b)

Baja California Congelados, S.A. de C.V.

On May 4, 2007, SunOpta completed the acquisition of certain assets, including inventory, machinery and equipment, from Baja California Congelados, S.A. de C.V. ("BCC"), of Rosarito, Baja California, Mexico for total consideration of \$6,473. Consideration consisted entirely of cash and no additional consideration is payable under the agreement.

BCC is a frozen strawberry processor in Baja California, Mexico. Under the terms of the agreement, SunOpta purchased all of the physical assets of the production facility located in Rosarito and also assumed a long-term lease for the facility, located 20 miles south of San Diego, California. In addition, SunOpta entered into five year supply agreements with Andrew & Williamson Sales Co., ("Andrew Williamson") the San Diego-based former parent of BCC. The agreements provide for the supply of strawberries from both the Baja California and Oxnard, California growing regions to the Rosarito facility in addition to SunOpta's existing California facilities.

Contingent consideration on companies acquired prior to 2007

Additional consideration of \$54 was realized related to the acquisition of Cleugh's Frozen Foods Inc. ("Cleugh's"). The amount was recorded in relation to Cleugh's achieving predetermined earnings targets.

4.

**Preferred Shares Issued by Subsidiary (Restated note 2)**

On June 7, 2007, the Company's subsidiary, SunOpta BioProcess Inc. ("SunOpta BioProcess"), completed a private placement for the sale of 1,500,000 non-dividend bearing, convertible preferred shares of SunOpta BioProcess for gross proceeds of \$30,000. SunOpta BioProcess incurred issuance costs of approximately \$2,808 in relation to this preferred share offering including the fair value (non-cash) of \$762 assigned to warrants of SunOpta Inc. granted to investors as part of the financing. These issuance costs have been offset against the carrying value of the preferred shares. The preferred shares do not bear any dividend rate and contain a conversion feature that allows the holders to convert the preferred shares to common shares of SunOpta BioProcess at any time on a one for one basis. At any time following the seventh anniversary of the closing date of (June 8, 2014) or upon the occurrence of a change in control, holders of the majority of preferred shares will have the right to require SunOpta BioProcess to redeem all of the preferred shares for a cash payment equal to the original issue price (\$20 per share and in aggregate \$30,000). Should SunOpta BioProcess complete a qualified initial public offering (defined in the preferred share agreement as greater than \$50,000), the preferred shares would automatically be converted into common shares of SunOpta BioProcess upon closing of the transaction, resulting in a dilution of SunOpta Inc.'s interest from 100% to approximately 86%. In the event a qualified initial public offering (defined in the preferred share agreement as greater than \$50,000) does not occur prior to the seventh anniversary (June 8, 2014) the preferred shares would then represent a liability of SunOpta BioProcess, as the preferred shareholders would have the option to redeem their shares for a cash payment equal to the original issue price of \$20 per share.

Edgar Filing: SunOpta Inc. - Form 10-Q/A

Included in issuance costs discussed above is the fair value of \$762 attributed to warrants to purchase 648,300 common shares of SunOpta Inc. at a price of \$11.57 (exercisable anytime over six months from the date of closing) that were granted to the SunOpta BioProcess preferred share investors upon the closing of the transaction. The fair value of these warrants was determined using the Black-Scholes option-pricing model (using a volatility of 40.2%, risk-free rate of 4.99% and a six month life) and the fair value attributed to them was \$762.

The preferred shares are presented net of issuance costs (with no associated tax benefit) and the value of the preferred shares will be accreted to the \$30,000 redemption value over a seven year period using the effective interest method. Included in interest expense during the three and six month periods ended June 30, 2007 is \$32 of accretion expense.

**SUNOPTA INC.**

18

June 30, 2007 10-Q

---

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

4.

**Preferred Shares Issued by Subsidiary (Restated note 2) continued**

In conjunction with the private placement, SunOpta BioProcess granted 800,000 Restricted Stock Units ("RSU") and 800,000 stock options (with an exercise price of \$20 per share) in SunOpta BioProcess common shares to certain employees of SunOpta BioProcess. The RSU's allow for a cash payment or the grant of shares to certain employees equal to the issuance price in a future initial public offering (to a maximum of \$20 per share). The RSU's and the stock options granted only vest if a change of control of SunOpta BioProcess occurs, or SunOpta BioProcess completes a qualified initial public offering and as such these units are considered performance based awards under SFAS No. 123(R). Accordingly, no expense is recorded in the consolidated financial statements until the contingent element of the award has been resolved. RSU's expire ten days after vesting whereas unless terminated earlier in accordance with SunOpta BioProcess' stock option plan, the stock options expire on the seventh anniversary of the closing date (i.e. June 7, 2014). Should SunOpta BioProcess complete a qualified initial public offering, the preferred shares and RSU's could be converted into common shares of SunOpta BioProcess upon closing of the transaction, resulting in a dilution of SunOpta Inc.'s wholly owned interests in SunOpta BioProcess to 75% (if all shares and options are issued). In the event a qualified initial public offering (defined in the preferred share agreement as greater than \$50,000) does not occur prior to the seventh anniversary (June 8, 2014) the preferred shares would then represent a liability of SunOpta BioProcess, as the preferred shareholders would have the option to redeem their shares for a cash payment equal to the original issue price of \$20 per share.

At the date of the grant, the Company has estimated that the fair value associated with the stock option grant is \$11,025 and RSU's is \$14,400. The fair value of the options was calculated using the Black-Scholes option-pricing model with the assumptions of a dividend yield of 0%, an expected volatility based on industry peers of 81.25%, a risk-free interest rate of 5.11% and an estimated useful life of up to 7 years. The fair value is based on estimates of the number of options that management expects to vest which was estimated to be 90%. The fair value of the RSU's is calculated using the maximum \$20 per share that could be paid. Given that no market exists for SunOpta BioProcess' common shares, there exists significant measurement uncertainty in assessing the fair values of the RSU's and stock options.

As a result of the restatement described in note 2, the amount of preferred shares issued by subsidiary has been increased from \$26,890 to \$27,224.

5.

**Inventories**

	June 30, 2007 \$ (Restated note 2)	December 31, 2006 \$
Raw materials and work in process	32,126	33,182
Finished goods	124,090	85,700
Grain	12,445	7,854
	<b>168,661</b>	<b>126,736</b>

Grain inventories consist of the following:

Edgar Filing: SunOpta Inc. - Form 10-Q/A

Company owned grain	11,390	7,637
Unrealized gain (loss) on		
Sale and purchase contracts	2,158	1,340
Future contracts	(1,103)	(1,123)
	12,445	7,854

As a result of the restatement described in note 2, finished goods inventories have been reduced from \$127,055 to \$124,090.

**SUNOPTA INC.**

19

June 30, 2007 10-Q

---

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

6.

**Capital stock and additional paid in capital**

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
	\$	\$
	(Restated note 2)	
Capital Stock (Issued and fully paid )		
63,103,383 common shares (December 31, 2006 57,672,053)	165,854	112,318
648,300 warrants (December 31, 2006 Nil)	762	-
<b>Capital Stock</b>	<b>166,616</b>	<b>112,318</b>
<b>Additional paid in capital</b>	<b>4,968</b>	<b>4,188</b>

As a result of the restatement described in note 2, additional paid in capital has been increased from \$4,634 to \$4,968 and capital stock has been decreased from \$166,876 to \$166,616.

(a)

On June 8, 2007, the Company issued 1,500,000 non-dividend bearing, convertible preferred shares of SunOpta BioProcess Inc. (see note 4). In conjunction with the preferred shares issued by a subsidiary (note 3), warrants to purchase 648,300 common shares of the Company were issued. A fair value of \$762 (non-cash) was assigned to these warrants, using the Black-Scholes option pricing model.

(b)

On February 13, 2007, the Company issued 5,175,000 common shares in a public offering at a price of \$10.40 per common share and received gross proceeds of \$53,820. The Company incurred share issuance costs of \$1,938, net of a \$920 tax benefit, for net proceeds of \$51,882.

(c)

In the six months ended June 30, 2007, employees and directors exercised 213,175 (June 30, 2006 622,715) common share options and an equal number of common shares were issued for net proceeds of \$1,237 (June 30, 2006 - \$2,639).

(d)

In the six months ended June 30, 2007, 40,655 (June 30, 2006 41,111) common shares were issued for net proceeds of \$417 (June 30, 2006 - \$278) as part of the Company's employee stock purchase plan.

(e)

In the six months ended June 30, 2007, 250,000 (June 30, 2006 38,500) options were granted to employees at a price of \$10.86 - \$11.60 (June 30, 2006 - \$5.36 - \$10.00). The fair value of the options granted were \$1,209 (June 30, 2006 - \$76) estimated using the Black-Scholes option-pricing model with the assumptions of a dividend yield of 0% (2006 0%), an expected volatility of 53.5% (2006 55%), a risk-free interest rate of 4.0% (2006 4.0%), forfeiture rate of

15% (2006 10%) and an expected life of five to six years.

(f)

In conjunction with his promotion to Chief Executive Officer, Steve Bromley received an award of 10,000 shares of the Company's stock. The stock was granted 25% on February 8, 2007, plus an additional 25% will be issued on the anniversary for the next three years. Accordingly, 2,500 shares were issued from treasury and the Company recognized stock based compensation costs of \$29.

(g)

In the six months ended June 30, 2007, the Company recognized stock based compensation of \$446 (June 30, 2006 - \$166) related to the Company's stock options plans including the plan within Opta Minerals Inc.

(h)

In the six months ended June 30, 2007, no warrants were exercised; however, in the six months ended June 30, 2006, 35,000 common shares were issued upon the exercise of warrants for proceeds of \$60.

**SUNOPTA INC.**

20

June 30, 2007 10-Q

---

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

7.

**Earnings per share**

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

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	\$	\$	\$	\$
	(Restated note 2)		(Restated note 2)	
Earnings for the period	3,405	4,343	4,459	7,355
Weighted average number of shares used in basic earnings per share	63,040,567	57,099,478	61,738,081	56,908,642
Dilutive potential of the following:				
Employee/director stock options	830,011	729,467	782,080	581,616
Dilutive Warrants	9,931	-	-	-
Diluted weighted average number of shares outstanding	63,880,509	57,828,945	62,520,161	57,490,258
Earnings per share:				
Basic	0.05	0.08	0.07	0.13
Diluted	0.05	0.08	0.07	0.13

Options to purchase nil and 117,000 common shares in the three and six months ended June 30, 2007 (June 30, 2006 174,800 and 264,800), respectively, have been excluded from the calculation of diluted earnings per share due to their anti-dilutive nature. Warrants to purchase 648,300 common shares in the six months ended June 30, 2007 (June 30, 2006 Nil) have been excluded from the calculation of diluted earnings per share due to their anti-dilutive nature.

8.

**Long-term debt and banking facilities**

	June 30, 2007	December 31, 2006
	\$	\$
Term loan (a)(i)	45,000	45,000
Term loan (a)(ii)	8,500	10,000
Other long-term debt (b)	22,903	22,827
	76,403	77,827
Less current portion	(7,947)	(8,433)
	68,456	69,394

Edgar Filing: SunOpta Inc. - Form 10-Q/A

On July 4, 2007, the Company completed the expansion of our existing credit facilities adding additional lenders Rabobank and HSBC Bank to its lending syndicate. As part of this facility expansion, our operating line of credit in the United States has been increased by \$30,000 with an additional \$20,000 acquisition facility available for future strategic acquisitions. The numbers presented below do not reflect these increased limits. The additional operating line replaces other credit facilities that were eliminated earlier in 2007.

On February 28, 2007 the Company repaid \$1,890 in term debt and repaid and terminated its \$20,000 asset based line of credit arrangement, both of which were secured by the assets of Cleugh's Frozen Foods, Inc. The assets of Cleugh's Frozen Foods, Inc. have now been pledged as collateral under the syndicated lending agreement.

**SUNOPTA INC.**

21

June 30, 2007 10-Q

---



## SunOpta Inc.

Restated Notes to Condensed Consolidated Financial Statements  
For the three and six months ended June 30, 2007 and 2006  
Unaudited  
(Expressed in thousands of U.S. dollars, except per share amounts)  
8.

### Long-term debt and banking facilities continued

As of June 30, 2007 the syndicated lending agreement was as follows:

#### (a) Syndicated Lending Agreement

i)

Term loan facility:

The term loan facility is at \$45,000 (December 31, 2006 - \$45,000). The entire loan principal is due on maturity. The term loan matures on December 20, 2010 and is renewable at the option of the lender and the Company.

ii)

Revolving acquisition facility:

The acquisition facility of \$8,500 (December 31, 2006 - \$10,000) is payable in equal quarterly installments of the greater amount of (a) 1/20 of the initial drawdown amount of the facility, or (b) 1/20 of the outstanding principal amount as of the date of the last draw. Any remaining outstanding principal under this facility is due on October 31, 2009.

iii)

Canadian line of credit facility:

The Company has a line of credit facility in Canada with a maximum draw of Cdn \$25,000 (\$23,465). At June 30, 2007, \$22,224 (December 31, 2006 - \$nil) of the facility was utilized including outstanding cheques plus an additional \$94 (December 31, 2006 - \$172) was committed through letters of credit.

iv)

US line of credit facility:

The US line of credit facility has a maximum borrowing of \$30,000. As at June 30, 2007 \$32,178 (December 31, 2006 - \$13,000) of this facility was utilized including outstanding cheques. Interest on borrowings under this facility accrues at the borrower's option based on various reference rates including U.S. bank prime rate, or U.S. LIBOR, plus a margin based on certain financial ratios.

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements  
 For the three and six months ended June 30, 2007 and 2006  
 Unaudited  
 (Expressed in thousands of U.S. dollars, except per share amounts)  
 8.

**Long-term debt and banking facilities, continued**

All of the above facilities are collateralized by a first priority security against substantially all of the Company's assets in both Canada and the United States with the exception of the assets of Opta Minerals.

(b)

Other long-term debt consists of the following:

	June 30, 2007 \$	December 31, 2006 \$
As of June 30, 2007 Opta Minerals, Inc. utilized \$2,431 (Cdn\$2,590) of its \$4,693 (Cdn \$5,000) acquisition and capital facility. In addition, \$8,657 of the \$10,325 (Cdn \$11,000) term loan facility is outstanding at June 30, 2007. The loans require quarterly principal payments of \$401 of which \$282 (Cdn \$300) is payable in Canadian dollars.	11,088	9,429
Promissory notes issued to former shareholders bearing a weighted average interest rate of 5.6% (December 31, 2006 - 4.7%), unsecured, due in varying instalments through 2009 with principal payments of \$3,661 due in the next 12 months.	10,637	10,027
Term loans payable bearing a weighted average interest rate of 4.5% (December 31, 2006 7.1%) due in varying instalments through July 2009 with principal payments of \$322 due in the next 12 months.	685	2,631
Capital lease obligations due monthly with a weighted average interest rate of 6.9% (December 31, 2006 7.9%)	493	740
	<b>22,903</b>	<b>22,827</b>

(c)

**Additional Credit Facilities**

Included in bank indebtedness are the lines of credit of the Company as described in 7(a) above and lines of credit of the Company's subsidiaries as follows:

**i) Opta Minerals Inc.:**

In addition to the term loan facility described above in 7(b), Opta Minerals, Inc. has a line of credit of \$11,733 (Cdn \$12,500). As of June 30, 2007 Opta Minerals, Inc. has utilized \$9,411 (December 31, 2006 - \$7,645) of the line of credit, including letters of credit outstanding of \$964.

These facilities have been collateralized by a priority security interest against substantially all of the Opta Minerals Inc.'s assets.

Cash on deposit with lending institutions has also been netted against borrowings under the lines of credit with the same institutions.

**SUNOPTA INC.**

23

June 30, 2007 10-Q

---

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

9.

**Supplemental cash flow information**

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>
	\$	\$	\$	\$
	(Restated note 2)		(Restated note 2)	
<b>Changes in non-cash working capital:</b>				
Accounts receivable	(7,411)	(3,521)	(21,680)	(7,846)
Inventories	(31,113)	(6,880)	(33,043)	(7,358)
Recoveries of income taxes	3	759	1,829	1,847
Prepaid expenses and other current assets	652	1,189	682	264
Accounts payable and accrued liabilities	21,323	9,771	3,068	6,721
Customer and other deposits	(813)	(1,089)	(387)	(95)
	(17,359)	229	(49,531)	(6,467)
<b>Cash paid for:</b>				
Interest	1,945	1,685	3,926	3,138
Income taxes	701	726	1,099	825

As a result of the restatement described in note 2, changes in non-cash working capital, net of businesses acquired has been adjusted from (\$21,997) to (\$17,359) for the three month period ended June 30, 2007. For the six month period ended June 30, 2007, non-cash working capital, net of business acquired has been adjusted from (\$58,323) to (\$49,531).

10.

**Commitments and contingencies**

(a)

One of the Company's subsidiaries, SunRich LLC filed a claim against a supplier for failure to adhere to the terms of a contract. In 2004 Sunrich was awarded the trial judgement and in the fall of 2006, the decision of the Appellate Court confirmed this judgement. In 2006, the Company collected \$2,014 in satisfaction of the judgement. The Company also has filed an application for the recovery of legal fees, included in other assets, which is currently outstanding with the Court.

(b)

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.



**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

11.

Pro-forma data (unaudited)

Condensed pro-forma income statement, as if the acquisitions completed in 2006 and 2007 had occurred at the beginning of 2006, is as follows:

	<b>June 30,</b> <b>2007</b> \$ (Restated note 2)	<b><u>Three months ended</u></b> <b>June 30,</b> <b>2006</b> \$	<b>June 30,</b> <b>2007</b> \$ (Restated note 2)	<b><u>Six months ended</u></b> <b>June 30,</b> <b>2006</b> \$
Revenue	208,543	180,712	395,976	339,251
Earnings for the period	3,391	4,715	4,390	7,807
EPS - Basic	0.05	0.08	0.07	0.14
EPS - Diluted	0.05	0.08	0.07	0.14

12.

Segmented information

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

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

i)

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

ii)

**SunOpta Ingredients Group ("Ingredients Group")** works closely with its customers to identify product formulation, cost and productivity opportunities and focuses on transforming raw materials into value-added food ingredient solutions, with a focus on insoluble oat and soy fiber products.

iii)

**SunOpta Fruit Group ("Fruit Group")** focuses on providing natural and organic frozen fruits, vegetables and related products to the private label retail, food service and industrial markets.

iv)

**SunOpta Distribution Group ("Distribution Group")** represents the final layer of the Company's vertically

integrated natural and organic foods business model. This group operates a national natural, organic and specialty foods and health and beauty aids, vitamins, supplements and nutraceutical distribution network in Canada.

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

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

SUNOPTA INC.

25

June 30, 2007 10-Q

---

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements  
 For the three and six months ended June 30, 2007 and 2006  
 Unaudited  
 (Expressed in thousands of U.S. dollars, except per share amounts)  
 12.

## Segmented information continued

The Company's assets, operations and employees are located in Canada, the United States and Mexico. Revenues from external countries are allocated to the United States, Canada and Other market based on the location of the customer. Other expense, net, interest expense, net, provision for income taxes and minority interest are not allocated to the segments.

				Three months ended June 30, 2007 (Restated note 2)
	Food Group \$	Opta Minerals \$	SunOpta BioProcess and Corporate \$	Consolidated \$
External revenues by market:				
United States	121,193	13,729	293	136,404
Canada	57,112	4,491	-	61,603
Other	9,360	174	26	8,371
Total revenues from external customers	187,665	18,394	319	206,378
Segment earnings before other expense, net	7,319	2,061	(2,571)	6,809
Other expense, net				217
Earnings before the following				6,592
Interest expense, net				(1,818)
Provision for income taxes				1,048
Minority interest				321
Earnings for the period				3,405

As a result of the restatement described in note 2, Food Group segment earnings has been reduced from \$11,411 to \$7,319 and SunOpta BioProcess and Corporate segment earnings has been reduced from a loss of \$2,070 to a loss of \$2,571.

The SunOpta Food Group has the following segmented reporting:

				Three months ended June 30, 2007 (Restated note 2)	
	Grains and Foods Group \$	Ingredients Group \$	Fruit Group \$	Distribution Group \$	Food Group \$
External revenues by market:					



Edgar Filing: SunOpta Inc. - Form 10-Q/A

United States	54,727	15,629	50,513	324	121,193
Canada	1,855	2,224	2,114	50,919	57,112
Other	8,036	642	682	-	9,360
Total revenues from external customers	64,618	18,495	53,309	51,243	187,665

Segment earnings before

other expense, net	4,695	1,972	(1,137)	1,789	7,319
--------------------	-------	-------	---------	-------	-------

As a result of the restatement described in note 2, Fruit Group segment earnings has been reduced from \$2,955 to a loss of \$1,137 and as a result, Food Group segment earnings has been reduced from \$11,411 to \$7,319.

SUNOPTA INC.

26

June 30, 2007 10-Q

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

12.

Segmented information continued

				Three months ended June 30, 2006
	Food Group \$	Opta Minerals \$	SunOpta BioProcess and Corporate \$	Consolidated \$
<b>External revenues by market:</b>				
United States	92,140	12,148	-	104,288
Canada	35,012	5,808	15	40,835
Other	10,135	304	183	10,622
<b>Total revenues from external customers</b>	<b>137,287</b>	<b>18,260</b>	<b>198</b>	<b>155,745</b>
Segment earnings before other expense, net	8,168	2,396	(1,792)	8,772
Other expense, net				194
Earnings before the following				8,578
Interest expense, net				(1,748)
Provision for income taxes				2,087
Minority interest				400
Earnings for the period				4,343

The SunOpta Food Group has the following segmented reporting:

					Three months ended June 30, 2006
	Grains and Foods Group \$	Ingredients Group \$	Fruit Group \$	Distribution Group \$	Food Group \$
<b>External revenues by market:</b>					
United States	40,959	13,505	37,603	73	92,140
Canada	1,229	1,466	1,594	30,723	35,012
Other	7,674	2,167	294	-	10,135
<b>Total revenues from external customers</b>	<b>49,862</b>	<b>17,138</b>	<b>39,491</b>	<b>30,796</b>	<b>137,287</b>
Segment earnings before other expense, net	2,273	1,774	2,870	1,251	8,168



**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

12.

Segmented information continued

				Six months ended June 30, 2007 (Restated note 2)
	Food Group	Opta Minerals	SunOpta BioProcess and Corporate	Consolidated
	\$	\$	\$	\$
<b>External revenues by market:</b>				
United States	218,867	26,338	991	246,196
Canada	117,622	8,176	-	125,798
Other	17,498	343	43	17,884
<b>Total revenues from external customers</b>	<b>353,987</b>	<b>34,857</b>	<b>1,034</b>	<b>389,878</b>
Segment earnings before other expense, net	11,100	3,508	(3,977)	10,631
Other expense, net				406
Earnings before the following				10,225
Interest expense, net				(3,729)
Provision for income taxes				1,513
Minority interest				524
Earnings for the period				4,459

As a result of the restatement described in note 2, Food Group segment earnings has been reduced from \$19,346 to \$11,100 and SunOpta BioProcess and Corporate segment earnings has been reduced from a loss of \$3,476 to a loss of \$3,977.

					Six months ended June 30, 2007 (Restated note 2)
	Grains and Foods Group	Ingredients Group	Fruit Group	Distribution Group	Food Group
	\$	\$	\$	\$	\$
<b>External revenues by market:</b>					
United States	97,574	30,894	89,819	580	218,867
Canada	4,297	4,225	4,178	104,922	117,622
Other	15,338	1,354	806	-	17,498
<b>Total revenues from external customers</b>	<b>117,209</b>	<b>36,473</b>	<b>94,803</b>	<b>105,502</b>	<b>353,987</b>

Edgar Filing: SunOpta Inc. - Form 10-Q/A

Segment earnings before other expense, net	7,403	2,991	(3,836)	4,542	11,100
---	-------	-------	---------	-------	--------

As a result of the restatement described in note 2, Fruit Group segment earnings has been reduced from \$4,410 to a loss of \$3,836 and as a result, Food Group segment earnings has been reduced from \$19,346 to \$11,100.

SUNOPTA INC.

28

June 30, 2007 10-Q

---

**SunOpta Inc.**

Restated Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2007 and 2006

Unaudited

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

12.

Segmented information continued

				Six months ended June 30, 2006
	Food Group \$	Opta Minerals \$	SunOpta BioProcess and Corporate \$	Consolidated \$
<b>External revenues by market:</b>				
United States	166,826	20,547	-	187,373
Canada	69,517	10,444	15	79,976
Other	20,215	315	1,179	21,708
<b>Total revenues from external customers</b>	<b>256,558</b>	<b>31,305</b>	<b>1,194</b>	<b>289,057</b>
Segment earnings before other expense, net	14,997	3,394	(3,588)	14,803
Other expense, net				279
Earnings before the following				14,524
Interest expense, net				(3,147)
Provision for income taxes				3,490
Minority interest				532
Earnings for the period				7,355

					Six months ended June 30, 2006
	Grains and Foods Group \$	Ingredients Group \$	Fruit Group \$	Distribution Group \$	Food Group \$
<b>External revenues by market:</b>					
United States	73,272	26,400	67,052	102	166,826
Canada	2,171	2,882	2,862	61,602	69,517
Other	13,573	5,969	673	-	20,215
<b>Total revenues from external customers</b>	<b>89,016</b>	<b>35,251</b>	<b>70,587</b>	<b>61,704</b>	<b>256,558</b>
Segment earnings before other expense, net	4,066	3,480	4,370	3,081	14,997

13.

Cash and cash equivalents

Included in cash and cash equivalents is \$28,203 (2006 - \$nil) of cash relating to SunOpta BioProcess that was raised in the preferred share issuance (note 4). These funds can only be used by SunOpta BioProcess, which will use the funds for the continued development of biomass conversion technologies and to build and operate commercial scale facilities for the conversion of cellulosic biomass to ethanol. Also included in cash and cash equivalents are funds of \$415 that can only be used by Opta Minerals.

SUNOPTA INC.

29

June 30, 2007 10-Q

---

## SunOpta Inc.

Restated Notes to Condensed Consolidated Financial Statements  
For the three and six months ended June 30, 2007 and 2006  
Unaudited  
(Expressed in thousands of U.S. dollars, except per share amounts)  
14.

### New Accounting Policy

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes" ("SFAS 109"). The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides accounting guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. SunOpta has adopted the provisions of FIN 48 on January 1, 2007. The Company has included the impact of FIN 48 which includes uncertain tax positions and tax returns not audited by tax authorities. The cumulative effect of adopting FIN 48 was an increase in opening retained earnings of \$100.

15.

### Subsequent Events

#### (a) SunOpta BioProcess Lawsuit Against Abengoa and Abener Arbitration

The Company commenced suit on January 17<sup>th</sup>, 2008 against Abengoa New Technologies Inc. ("Abengoa"), and a former employee of SunOpta Inc. for theft of trade secrets, breach of contract, tortious interference with contract and civil conspiracy, along with motions for expedited discovery and a preliminary injunction. Abengoa has filed a counterclaim alleging breach of contract, misappropriation of trade secrets and other contractual violations. The United States District Court, Eastern District of Missouri, recently referred the core claims to arbitration and stayed the rest pending outcome of the arbitration. While management is confident in its position, the outcome of this matter cannot be predicted at this time.

In January 2008, a customer of the Company, Abener Energia S.A. (an affiliate of Abengoa) terminated a contract for the delivery of equipment and related services, forcing the matter into arbitration under its provisions. Both parties have alleged violations under the contract. The matter is currently scheduled for arbitration which is expected to commence in July 2008. The outcome of this arbitration cannot be predicted at this time.

#### (b) Fire in the Grains and Foods Group

On January 19, 2008, a fire occurred at the Company's Breckenridge, Minnesota sunflower facility. The fire destroyed a seed conditioning operation, a warehouse used to clean seeds prior to hulling in the facility's main building and inventory stored in these two facilities with a total carrying value of \$276. The Company has filed claims with its insurance carriers for damaged property, business interruption and inventory losses.

#### (c) Class Action Lawsuits

Subsequent to the Company's press release on January 24, 2008, in which it downgraded previously issued earnings expectations and announced the restatement of prior quarterly financial statements due to a significant write-down and other adjustments, the Company and certain officers (one of whom is a director) and a former director were named as



defendants in several proposed class action lawsuits in the United States. These lawsuits were filed in the United States District Court for the Southern District of New York on behalf of shareholders who acquired securities of the Company between May 8, 2007 and January 25, 2008. The lawsuits allege, among other things, violations of United States federal securities laws, misrepresentations and insider trading. These lawsuits are in a preliminary phase and are expected to be consolidated in one class action with a lead plaintiff. Similarly, one proposed class action lawsuit has also been filed in Canada in the Ontario Superior Court of Justice on behalf of shareholders who acquired securities of the Company between May 8, 2007 and January 25, 2008 against the Company and certain officers (one of whom is a director) alleging misrepresentation and proposing to seek leave from the Ontario court to bring statutory misrepresentation civil liability claims under Ontario's Securities Act. The Canadian Action claims damages of Cdn \$100,000 plus punitive damages of Cdn \$10,000 and other monetary relief. This action is also in its preliminary phase and, may be consolidated if additional class actions are commenced. Management intends to vigorously defend these actions. These claims and possible claims are at an early stage and it is not possible to determine the probability of liability, if any, or estimate the loss, if any, that might arise from these lawsuits. Accordingly, no accrual has been made at this time for these contingencies.

## SunOpta Inc.

Restated Notes to Condensed Consolidated Financial Statements  
For the three and six months ended June 30, 2007 and 2006  
Unaudited  
(Expressed in thousands of U.S. dollars, except per share amounts)  
15.

### Subsequent Events continued

#### (d) Acquisition of The Organic Corporation B.V.

On April 2, 2008, the Company completed the previously announced acquisition of The Organic Corporation B.V., operating as Tradin Organic Agriculture B.V. ("Tradin"). At closing, the Company paid 6,000 (US - \$9,417) and issued a promissory note for 1,000 (US - \$1,570), bearing interest at 7%, payable March 31, 2010. Additional consideration payable on March 31, 2010 is equal to the greater of 8,000 (US - \$12,556) or 2.5 times 2009 EBITDA (as defined in the Purchase and Sale Agreement).

Tradin is one of the world's leading providers of globally sourced organic food ingredients, and a key supplier of a wide variety of organic products including frozen fruits and vegetables, dried fruits, coffee, cocoa, cereals, rice, soy, beans and more. The acquisition is expected to lead to further integrated sourcing and processing opportunities around the globe, and will position the Company as one of the dominant suppliers to the rapidly growing organic foods industry.

#### (e) Flood in the Ingredients Group

In June 2008, as a result of flooding in the midwestern United States, a facility in the Ingredients Group located in Cedar Rapids, Iowa has been unable to operate. In addition to not operating, supply to another facility located in Louisville, Kentucky has also been disrupted, negatively impacting their ability to produce. The Company is in the process of determining the impact on the consolidated financial statements, including filing business interruption insurance for the period these plants are unable to operate.

#### (f) Banking Facilities

As part of its lending agreements, the Company is required to maintain compliance with certain financial covenants. As a result of the adjustments and provisions in the SunOpta Fruit Group the Company was not in compliance with these covenants at December 31, 2007 and March 31, 2008. The Company received a permanent waiver to these covenants which allowed the Company to be in compliance for the December 31, 2007 and March 31, 2008 periods, and was not required to recalculate the covenants for previous periods based on restated quarterly numbers. In addition, the Company has obtained amended covenants for June 30, 2008, September 30, 2008, December 31, 2008 and March 31, 2009 reporting periods for which the Company is required to comply with. As a result of the Company's expectation of compliance with these amended covenants the term loan of \$45,000 and the non-current portion of the non-revolving and revolving acquisition facilities totalling \$13,800 continue to be classified as non-current. Should the Company fail to comply with any one of these or other covenants the lenders would have the option to accelerate repayment of these outstanding balances and / or enforce their security rights against the Company and accordingly, these amounts would be reclassified to current liabilities.

#### (g) Acquisition of MCP Mg-Serbien SAS

On July 10, 2008, the Opta Minerals Inc. announced that it had acquired 67% of the outstanding common shares of MCP Mg-Serbien SAS ("MCP") of France, for \$1,100 in cash. Included in the acquisition is the option for Opta Minerals to acquire the remaining 33% minority interest under similar terms. Opta Minerals has also secured an

option to purchase a majority position in an associated company located in Europe. MCP sells ground magnesium products. The addition of MCP increases Opta Minerals' position in the industrials minerals business and expands its position as a service provider to the steel industry.

(h) Investigation at Berry Operations

Subsequent to year-end, the Company has incurred approximately \$5,500 in professional fees, including legal, accounting and advisory fees, related to the investigation within the Berry Operations that will impact earnings in 2008. The Company will also incur a minimum of approximately \$1,700 in severance costs in 2008 related to the Company's Chief Executive Officer and Chief Financial Officer.

SUNOPTA INC.

31

June 30, 2007 10-Q

---

## SunOpta Inc.

Restated Notes to Condensed Consolidated Financial Statements  
For the three and six months ended June 30, 2007 and 2006  
Unaudited  
(Expressed in thousands of U.S. dollars, except per share amounts)  
16.

### Comparative Balances

The comparative balances for Intangible Asset Amortization have been reclassified from Selling, General and Administrative expenses and reported separately to conform to the current year's financial statement presentation. In addition, \$1,164 was reclassified from intangible assets to goodwill as at December 31, 2006 that related to a business acquisition that occurred in 2006..

## PART I - FINANCIAL INFORMATION

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

#### Significant Developments

##### Bank Facility Expansion

On July 4, 2007, the Company completed the expansion of existing credit facilities adding Rabobank and HSBC Bank to the lending syndicate. As part of this facility expansion, the Company increased its operating line of credit in the United States by \$30,000,000 and added a \$20,000,000 acquisition facility available for future strategic acquisitions. The additional operating line replaces other credit facilities that were eliminated earlier in 2007.

##### Preferred Shares of SunOpta BioProcess Inc.

On June 7, 2007, the Company announced that it had closed the previously announced private placement for a minority position in SunOpta BioProcess Inc., formerly the SunOpta BioProcess Group. In aggregate, SunOpta raised \$30,000,000 before related placement costs through the issuance of non-dividend bearing, convertible preferred shares of SunOpta BioProcess Inc.

The preferred shares entitle holders to one vote per share, are non-dividend bearing, redeemable in specified circumstances and convertible to acquire common shares of SunOpta BioProcess Inc. on a one for one basis (subject to customary anti-dilution adjustments). Investors in the private placement were also issued warrants to purchase 648,300 common shares of SunOpta Inc. at any time for a period of six months following closing, at an exercise price of \$11.57 per share. The net proceeds of \$27,192,000 will be used for commercialization of SunOpta BioProcess' patented technology used to convert cellulosic biomass to ethanol.

##### Business Acquisitions

###### Congeladora del Rio S.A. de C.V. and Global Trading Inc.

On May 14, 2007, SunOpta Inc. announced that it completed the acquisitions of the net operating assets of Congeladora del Rio, S.A. de C.V. ("Del Rio"), and all of the outstanding shares of Global Trading Inc., ("Global") for total consideration of \$10,353,000. Consideration included a combination of cash, notes payable and acquisition costs. No additional consideration is payable under the agreement. The promissory notes payable to former shareholders bear an interest rate of 6% and are payable in quarterly installments over the next three years.

Del Rio operates a fruit processing facility in Irapuato, Mexico. The high quality facility processes strawberries, peaches, mangos, bananas, pineapples, honeydew melons and other fruits, into individually-quick frozen, block frozen and purees for the food service, industrial and retail markets. Under the terms of the agreement, SunOpta purchased all of the net operating assets, including working capital, equipment, land and buildings.

Global, the U.S.-based marketing agent for Del Rio located in Greenville, South Carolina, markets the fruits processed at Del Rio. Global's offices include executive management, sales, customer service and accounting support.

The acquisitions of Del Rio and Global provide additional capacity plus other synergistic opportunities to the SunOpta Fruit Group. In addition, the acquisition completes the Group's vertically integrated model for other fruit varieties, noted above, and expands its core production capabilities.

SUNOPTA INC.

32

June 30, 2007 10-Q

---

Baja California Congelados, S.A. de C.V.

On May 4, 2007, SunOpta completed the acquisition of certain assets, including inventory, machinery and equipment, from Baja California Congelados, S.A. de C.V. ("BCC"), of Rosarito, Baja California, Mexico for total consideration of \$6,473,000. Consideration consisted entirely of cash and no additional consideration is payable under the agreement.

BCC is the leading frozen strawberry processor in Baja California, Mexico. Under the terms of the agreement, SunOpta purchased all of the physical assets of the production facility located in Rosarito and also assumed a long-term lease for the facility, located 20 miles south of San Diego, California. In addition, SunOpta entered into five year supply agreements with Andrew & Williamson Sales Co., ("Andrew Williamson") the San Diego-based former parent of BCC. The agreements provide for the supply of strawberries from both the Baja California and Oxnard, California growing regions to the Rosarito facility in addition to SunOpta's existing California facilities.

#### Equity Offering

On February 13, 2007, the Company announced that it had completed its previously announced public offering of common shares. As the underwriters of the offering exercised their over-allotment option in full upon closing, a total of 5,175,000 common shares were issued to the public at a price of US\$10.40 per share for aggregate gross proceeds of \$53,820,000 or \$51,882,000 net of costs.

The net proceeds of the offering were used to repay outstanding bank indebtedness and certain term debts and fund internal expansion projects and working capital requirements.

#### Strategic Agreements

On March 27, 2007, the Company announced, through the SunOpta Fruit Group, that it had entered into strategic agreements with reputable local fruit industry leaders in Argentina and Chile to develop supply opportunities in the organic and natural frozen fruit industry. The agreements increase SunOpta's supply of natural and organic strawberries, raspberries and blueberries, apple and pear purees and fruit and vegetable concentrates from an important counter cyclical supply region. In this regard, the Company entered into a five year exclusive supply agreement with Baby's Best Infant Food Ingredients S.A. ("Baby's Best"), a producer of organic and natural purees and concentrates in Mendoza, Argentina. Under the terms of the agreement, the Company provided a line of credit to enable Baby's Best to expand production and in turn received an option to purchase Baby's Best at a predetermined price in March 2009.

The Company also entered into a three year exclusive organic supply agreement with a leading processor of organic and natural frozen fruits in Chile. Under the terms of the agreement SunOpta financed a capital expansion to further develop growth in critical organic fruit supply.

#### Working Capital

The Company's working capital, excluding SunOpta BioProcess cash, increased to \$118,903,000 during the first six months of the year versus \$80,431,000 at December 31, 2006. A number of business factors drove this increase including the rapid growth in the Company's global sourcing programs which often requires payment for raw materials in advance of shipping to North America, a significant increase in strawberry and other fruit inventories, the rapid increase in the costs of certain grains and fruits due to market pricing conditions, and changes in the ship and release policy within the Fruit Group which increased inventory levels. In addition, traditional farmer payments which normally straddle the year-end were significantly higher in 2007 due to increased volumes and higher commodity prices for corn and soybeans.



Operations for the Three Months ended June 30, 2007 Compared With the Three Months Ended June 30, 2006Consolidated

	(Restated) June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
<b>Revenue</b>				
SunOpta Food Group	187,665,000	137,287,000	50,378,000	36.7%
Opta Minerals	18,394,000	18,260,000	134,000	0.7%
SunOpta BioProcess	319,000	198,000	121,000	61.1%
<b>Total Revenue</b>	<b>206,378,000</b>	<b>155,745,000</b>	<b>50,633,000</b>	<b>32.5%</b>
<b>Operating Income<sup>1</sup></b>				
SunOpta Food Group	7,319,000	8,168,000	(849,000)	(10.4%)
Opta Minerals	2,061,000	2,396,000	(335,000)	(14.0%)
SunOpta BioProcess & Corporate	(2,571,000)	(1,792,000)	(779,000)	(43.5%)
<b>Total Operating Income</b>	<b>6,809,000</b>	<b>8,772,000</b>	<b>(1,963,000)</b>	<b>(22.4%)</b>
Other expense, net	(217,000)	(194,000)	(23,000)	11.9%
Interest Expense	1,818,000	1,748,000	70,000	4.0%
Income Tax Provision	1,048,000	2,087,000	(1,039,000)	(49.8%)
Minority Interest	321,000	400,000	(79,000)	(19.8%)
<b>Earnings for the period</b>	<b>3,405,000</b>	<b>4,343,000</b>	<b>(938,000)</b>	<b>(21.6%)</b>

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

Revenues in the three months ended June 30, 2007 increased by 32.5% to \$206,378,000 based on internal growth of 15.4% and acquisition revenues of \$23,200,000. Internal growth includes growth on base business plus growth on acquisitions from the date of acquisition over the previous year. The majority of the growth came from the SunOpta Food Group with both acquisition and internal growth contributing to the increase.

Operating income decreased to \$6,809,000 representing a decrease of 22.4% versus the three months ended June 30, 2006. Included in the results of the Food Group is a decline in operating income within the Fruit Group of \$4,007,000 primarily related to reduced margins due to increased commodity and processing costs within the Fruit Group Berry Operations. For the quarter, the other three operating groups in the Food Group increased operating income versus the prior year. Further details on revenue and operating income are provided below by operating group.

Interest expense increased by 4.0% to \$1,818,000 for the three months ended June 30, 2007 due to increased average long-term debt and operating lines of approximately \$30,000,000. The increase in debt is primarily related to acquisitions completed and additional working capital to fund internal growth. The average interest rate for the quarter was approximately 5.6%. The Company's long term debt to equity ratio was 0.31:1.00, below the Company's long term target. Bank indebtedness was approximately 23.6% of accounts receivable and inventory, which it finances.

Other expense for the three months ended June 30, 2007 of \$217,000 included certain restructuring costs incurred during the quarter mainly relating to the consolidation of warehouses within the SunOpta Distribution Group and settlement of a legal claim.

The income tax rate for the three months ended June 30, 2007 was approximately 22.0%. The reduced rate in the quarter was due to lower earnings before income tax in the Food Group.





Segmented Operations Information

(Note: Certain prior year figures have been adjusted to conform with current year presentation and segmented reporting.)

SunOpta Food Group:

For the three month period ended

	(Restated) June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
<b>Revenue</b>				
SunOpta Grains & Foods	64,618,000	49,862,000	14,756,000	29.6%
SunOpta Ingredients	18,495,000	17,138,000	1,357,000	7.9%
SunOpta Fruit	53,309,000	39,491,000	13,818,000	35.0%
SunOpta Distribution	51,243,000	30,796,000	20,447,000	66.4%
<b>Food Group Revenue</b>	<b>187,665,000</b>	<b>137,287,000</b>	<b>50,378,000</b>	<b>36.7%</b>
<b>Operating Income<sup>1</sup></b>				
SunOpta Grains & Foods	4,695,000	2,273,000	2,422,000	106.6%
SunOpta Ingredients	1,972,000	1,774,000	198,000	11.2%
SunOpta Fruit	(1,137,000)	2,870,000	(4,007,000)	(139.6%)
SunOpta Distribution	1,789,000	1,251,000	538,000	43.0%
<b>Food Group Segment Operating Income</b>	<b>7,319,000</b>	<b>8,168,000</b>	<b>(849,000)</b>	<b>(10.4%)</b>
<b>SunOpta Food Group Segment Margin %</b>	<b>3.9%</b>	<b>5.9%</b>		<b>(2.0%)</b>

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

The SunOpta Food Group contributed \$187,665,000 or 90.9% of total Company consolidated revenues in the three months ended June 30, 2007 versus \$137,287,000 in the same period in 2006. The revenue increase of 36.7% within SunOpta Food Group reflects very strong growth from the SunOpta Distribution Group due to acquisitions and improving grocery sales. Revenue growth in the SunOpta Fruit Group was driven by strong internal growth of 26.5%. The SunOpta Grains & Food Group also had a strong quarter due to the strong soybean, corn, sunflower and aseptic sales.

Segment operating income in the SunOpta Food Group decreased by 10.4% to \$7,319,000 when compared to the same three month period in 2006. The decrease in segment operating income, which includes the impact of \$1,326,000 in higher corporate cost allocations, is mainly due to reduced operating income of \$4,007,000 in the Fruit Group which is primarily a function of the Berry Operations acquiring significant amounts of inventory during a period of rising commodity and processing costs.. Selling prices were not updated in a timely manner to adequately pass these increased commodity and processing costs on to our customers, which ultimately had a negative impact on gross profit. Excluding this decrease in the Fruit Group, operating income in the other Groups increased by \$3,158,000. The increase in operating income reflects improved operating results of \$2,422,000 in SunOpta Grains & Food due to strong soymilk sales, grain revenues as well as significant improvements in the sunflower business. The SunOpta Distribution Group improved operating income by \$538,000 due to acquisitions and higher grocery volumes.

SunOpta Grains & Foods Group

For the three month period ended

Edgar Filing: SunOpta Inc. - Form 10-Q/A

	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	64,618,000	49,862,000	14,756,000	29.6%
Gross Margin	8,173,000	5,283,000	2,890,000	54.7%
Gross Margin %	12.6%	10.6%		2.0%
Segment Operating Income <sup>1</sup>	4,695,000	2,273,000	2,422,000	106.6%
Segment Margin	7.3%	4.6%		2.7%

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

The SunOpta Grains and Foods Group contributed \$64,618,000 in revenues during the second quarter, a \$14,756,000 or 29.6% increase over the same quarter in the previous year. This increase was attributed entirely to internal growth. The Group realized significant revenue increases of \$7,597,000 due to increased sales of aseptic soymilk and refrigerated soymilk.

SUNOPTA INC.

35

June 30, 2007 10-Q

Higher demand for organic corn, organic soy, IP soy and food ingredients totaled \$4,295,000. Sunflower products sales were \$3,036,000 higher than last year due to the strong shipments of high oleic kernels, bird food and inshell products. Offsetting the increases above are decreased revenues of \$172,000 due primarily to the timing of revenues within roasted products and snack foods.

Gross margin in the Grains and Foods Group increased by \$2,890,000 to \$8,173,000 in the three months ended June 30, 2007. Gross margin as a percentage of revenues was favorable compared to the prior year quarter by 2.0% at 12.6%. Price increases, plant efficiencies along with improved crop results have increased sunflower gross margins by \$1,276,000. Higher volumes and commodity prices of grain and corn products resulted in increased gross margins of \$839,000. As well, higher aseptic and ESL soymilk margin rates due to higher volumes and plant efficiencies have led to an increase of gross margins of \$1,053,000. Offsetting these improvements was a decrease of \$278,000 in margins related to roasted products.

The increase in segment operating income of \$2,422,000 to \$4,695,000 reflects the increase in gross margins noted offset by an increase in corporate allocated costs of \$390,000 and a net increase of \$205,000 related to selling, general and administrative expense (SG&A). The increase in SG&A was attributed to increased sales staff. Foreign exchange losses in the second quarter were lower than prior year by \$127,000, due to certain Euro foreign exchange contracts.

### SunOpta Ingredients Group

#### For the three month period ended

	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	18,495,000	17,138,000	1,357,000	7.9%
Gross Margin	3,961,000	3,281,000	680,000	20.7%
Gross Margin %	21.4%	19.1%		2.3%
Segment Operating Income <sup>1</sup>	1,972,000	1,774,000	198,000	11.2%
Segment Margin	10.7%	10.4%		0.3%

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

The SunOpta Ingredients Group contributed revenues of \$18,495,000 in the second quarter of 2007 as compared to \$17,138,000 in 2006, a 7.9% increase. The increase is attributable to higher dairy blending volumes of \$2,248,000, an increase in contract manufacturing of \$418,000, and higher sales of oat and soy fibers of \$320,000. These increases were offset by the lost volumes of a specialty soluble fiber product under contract through May 2006 of \$891,000 and a net decrease of \$738,000 related to starch, molasses and other ingredient blending operations.

In the quarter, gross margin in the SunOpta Ingredients Group increased by \$680,000 and the margin rate increased by 2.3% to 21.4% of revenue. The increase in margin is primarily attributable to higher volumes of dairy blending products of \$514,000 and higher volumes, pricing and cost reductions within oat and soy fiber businesses of \$273,000. The increase in margins was partially offset by a decrease in ingredient blending of \$313,000 due to lower volumes and lower allocation of overhead costs. The remaining \$206,000 of net margin growth was attributed to a net increase in soy, specialty processing and other ingredient products.

The increase in segment operating income of \$198,000 to \$1,972,000 reflects the increase in gross margins noted above, offset by higher SG&A costs due to additional headcount of \$253,000 and increased corporate cost allocations of \$229,000.



## SunOpta Fruit Group

For the three month period ended

	(Restated)			
	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	53,309,000	39,491,000	13,818,000	35.0%
Gross Margin	5,014,000	6,548,000	(1,534,000)	(23.4)
Gross Margin	9.4%	16.6%		(7.2%)
Segment Operating Income <sup>1</sup>	(1,137,000)	2,870,000	(4,007,000)	(139.6%)
Segment Margin	(2.1%)	7.3%		(9.4%)

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

The SunOpta Fruit Group contributed revenues of \$53,309,000 in the second quarter of 2007 as compared to \$39,491,000 in 2006, a 35.0% increase or \$13,818,000. Internal growth within the group was 26.5% in the first half of 2007. Higher sales of individually quick frozen (IQF) fruit and frozen strawberries accounted for \$5,801,000 of the increased revenues. This was due to increased demand from many private label retail customers. The acquisitions of Congeladora del Rio S.A. de C.V (Del Rio), Global Trading Inc (Global), Baja California Congelados, S.A. de C.V. (BCC) in May 2007 and Hess Food Group (Hess) in November 2006 accounted for increased revenues of \$2,892,000. Increased volumes related to fruit bars contributed \$1,990,000 of increased revenue due to new private label programs. The continued strength of global sourcing operations contributed \$1,654,000, mainly from sales to private label customers. The continued rollout of new fruit bases to a national breakfast restaurant chain contributed to \$1,481,000 of improved revenues.

Gross margins in the SunOpta Fruit Group decreased by \$1,534,000 in the three months ended June 30, 2007 to \$5,014,000 or 9.4% of revenue, as compared to 16.6% in 2006. The decrease is due to higher inventory costs resulting in lower margins within the Berry Operations. More specifically, the lower margins were isolated in the Berry Operations excluding Hess Food Group LLC and the Mexican acquisitions ("California Berry Operations") and are described in further detail below. Excluding the decline in California berry operations, gross margins in the other components of the Fruit Group, excluding the healthy fruit snack business, increased. The acquisition of Hess Food Group provided additional margins of \$526,000. The newly acquired Mexican berry operations accounted for \$464,000 of the improved margins. These increases were offset by a \$19,000 decline in margins in our healthy fruit snack business. The decline in our healthy fruit snack business was due to high sourcing costs and certain plant inefficiencies as the plants are being upgraded to support the significant growth, and one-time organic tomato sales recognized in the prior year, driven by market conditions and a customer's one-time supply shortage.

Gross margins declined by \$2,505,000 within the California Berry Operations. The decline was as a result of an aggressive purchasing strategy which occurred during a time of increasing raw material and input prices. Selling prices were not updated in a timely manner to adequately pass these increased commodity and processing costs on to our customers, which ultimately had a negative impact on gross profit. Margins were further eroded by higher storage costs, increased temporary labor costs and higher overheads, much of which was a direct function of the rise in purchasing volume. Additional operational inefficiencies associated with capital expansion and turnover of key personnel also contributed to the decline in margin. The increase in carrying value and volume of inventory on hand in relation to a market with abundant supply ultimately resulted in provisions being required to reduce the investment in inventory to net realizable value ("NRV"). These provisions were concentrated mainly in bulk industrial and bi-product inventory.

SG&A in the SunOpta Fruit Group increased \$2,364,000 to \$5,997,000 in the period. This was primarily due to an increase of \$989,000 in additional structural headcount, such as quality, human resources, and finance resources, to support the rapid growth in operations, as well as additional travel and commissions on incremental revenues. An increase of \$660,000 is specific to the acquisitions noted above. In addition, variable SG&A increased by \$314,000 related to global sourcing operations and corporate cost allocations increased by \$401,000.

Segment operating income in the SunOpta Fruit Group decreased to (\$1,137,000) in the three months ended June 30, 2007 as compared to \$2,870,000 in 2006 due to the decline in gross margin and higher SG&A costs noted above, as well as additional FX losses of \$109,000 in the quarter.

---

## SunOpta Distribution Group

For the three month period ended

	(Restated)			
	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	51,243,000	30,796,000	20,447,000	66.4%
Gross Margin	14,376,000	7,949,000	6,427,000	80.9%
Gross Margin %	28.1%	25.8%		2.3%
Segment Operating Income <sup>1</sup>	1,789,000	1,251,000	538,000	43.0%
Segment Margin	3.5%	4.1%		(0.6%)

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

The SunOpta Distribution Group contributed revenues of \$51,243,000 in the second quarter of 2007, an increase of \$20,447,000 or 66.4% over the prior year. Internal growth within the group including internal growth on acquired companies was 3.9% and included the rationalization of a number of unprofitable produce accounts. An increase of \$20,247,000 was due to the acquisitions of Purity Life Health Products (Purity), Quest Vitamins (Quest) and Aux Mille et une Saisons Inc. (Aux Mille). Revenues were favorably impacted by an increase in grocery and retail sales of \$2,210,000 primarily due to strong sales in western Canada and an increase in natural organic product lines in eastern Canada. These increases were offset by the rationalization of certain produce customers and operations totaling \$2,010,000 in eastern Canada and Quebec.

Gross margin in the Distribution Group increased by \$6,427,000 in the three months ended June 30, 2007 to \$14,376,000 or 28.1% of revenues. The increase in the gross margin rate of 2.3% was primarily attributable to higher margins associated with the acquired businesses. Gross profit increased by \$6,176,000 due to the acquisitions of Purity, Quest and Aux Mille, higher margins of \$76,000 within natural and organic grocery as western Canada offset slightly lower margins in eastern Canada and favorable margins of \$175,000 from produce operations due to rationalization.

Combined SG&A, warehousing and distribution (W&D) costs increased by \$6,175,000 to \$12,973,000 as compared to the same quarter in the previous year. As a percentage of revenues, SG&A and W&D have increased to 25.3% of revenues versus 22.1% in the comparative period. SG&A and W&D related to the acquisitions totalled \$5,690,000, or 28.1% of revenue, reflects the requirement for additional marketing and promotion within their product lines. The remaining increase includes the allocation of incremental corporate costs totalling \$335,000 plus other SG&A increases of \$150,000.

The increase in segment operating income of 43.0% or \$538,000 to \$1,789,000 reflects the noted increase in gross margins of \$6,427,000 offset by increased costs of \$6,175,000 related to W&D and SG&A. The remaining positive variance of \$286,000 is attributable to foreign exchange gains realized in the quarter.

## Opta Minerals Inc.

For the three month period ended

	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	18,394,000	18,260,000	134,000	0.7%



Edgar Filing: SunOpta Inc. - Form 10-Q/A

Gross Margin	4,435,000	4,543,000	(108,000)	(2.4%)
Gross Margin %	24.1%	24.9%		(0.8%)
Segment Operating Income <sup>1</sup>	2,061,000	2,396,000	(335,000)	(14.0%)
Segment Margin	11.2%	13.1%		(1.9%)

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

Opta Minerals contributed \$18,394,000 in the second quarter of 2007, versus \$18,260,000 in 2006. Opta Minerals revenue increased by \$854,000 due to the net impact of the acquisitions of Magnesium Technologies Corporation (MagTech) and Bimac Inc. (BiMac) in the prior year. These increases were offset by revenue declines of \$720,000 due to a decline of demand in the U.S. desulphurization business and declines in the Canadian foundry business due to cyclical demand within the industry.

Edgar Filing: SunOpta Inc. - Form 10-Q/A

Gross margins of \$4,435,000 in the three months ended June 30, 2006 compared to \$4,543,000 in the prior year. As a percentage of revenues, gross margin decreased 0.8% to 24.1% compared to the same period in the prior year. The decrease in the gross margins was due to higher freight and logistics costs and lower volumes in the higher margin US abrasives and steel markets and lower volumes within the Canadian foundry markets.

Selling, general and administrative expenses increased to \$2,507,000 or 13.6% of revenues during the quarter versus \$2,405,000 or 13.2% of revenues in the three months ended June 30, 2006. The increase is in SG&A and intangible amortization is attributed to the acquisitions of MagTech and Bimac totaling a net increase of \$173,000 during the quarter. In addition, net SG&A decreases totaling \$71,000 due cost savings initiatives in the base business offset the impact of the appreciation of the Canadian dollar versus the U.S. dollar as a significant amount of Opta Minerals SG&A costs are denominated in Canadian dollars.

A foreign exchange gain of \$133,000 was recognized in the three months ended June 30, 2007 compared to \$258,000 in the same period of the prior year. The foreign exchange gain in the prior year was realized on conversion of a portion of the external debt from US to Canadian funds.

Segment operating income decreased by \$335,000 or 14.0% to \$2,061,000 during the quarter due to the factors noted above.

Note: As SunOpta owns only 70.5% of Opta Minerals, segment operating income is presented prior to minority interest expense.

SunOpta BioProcess and Corporate

For the three month period ended

	(Restated)			
	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	319,000	198,000	121,000	61.1%
Gross Margin	(408,000)	(258,000)	(150,000)	(58.1%)
Gross Margin %	(127.9%)	(130.3%)		2.4%
Segment Operating Loss <sup>1</sup>	(2,571,000)	(1,792,000)	(779,000)	43.5%

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

Revenues were \$319,000 for the three months ended June 30, 2007 versus \$198,000 in same period in 2006. Revenues in the quarter were derived from the percentage of completion on equipment supply contracts in the BioProcess business, similar to 2006.

Gross margin in SunOpta BioProcess was a loss of \$408,000 in the three months ended June 30, 2007 versus a loss of \$258,000 in the prior year. During the quarter a profit estimate for a specific in-process project was deemed to be nil, causing a \$466,000 reserve to be taken against costs to complete the project. The remaining \$58,000 positive margin realized reflects the expected costs attributed to the percentage of contracts completed during the quarter. The negative margin in the prior year was due to the revision of Abengoa project costs to meet European equipment specifications.

Selling, general and administrative expenses were \$2,185,000 for the second quarter of 2007 as compared to \$1,954,000 for the same period in 2006. The increase was as a result of an increase of \$1,116,000 as result of additional personnel to support development activities within the BioProcess Group, additional personnel in the corporate office as new functions (logistics and human resources) are added to the corporate management team plus

additional positions within the shared services group as more divisions are brought onto the Oracle operating platform. Incremental costs of \$507,000 were incurred primarily related to the centralization of information technology service and additional Oracle consulting fees for the continued rollout in the quarter. Offsetting the increases noted are additional management fee allocations of \$1,326,000 and other cost decreases of \$66,000. The increases noted include the impact of the increasing strength of the Canadian dollar as a significant portion of Corporate and BioProcess expenses are based in Canada.

Segment operating losses of \$2,571,000 increased by \$779,000 from the same quarter in the previous year. The incremental loss was due primarily to the factors noted above in gross margin and selling, general and administrative expenses plus a reduction of \$398,000 in foreign exchange gains realized in the quarter. The foreign exchange gain realized in the second quarter in the prior year was attributed to the increased value of the corporate Canadian denominated assets reported in U.S. dollars.

---

Operations for the Six Months ended June 30, 2007 Compared With the Six Months Ended June 30, 2006Consolidated

	(Restated)			
	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
<b>Revenue</b>				
SunOpta Food Group	353,987,000	256,558,000	97,429,000	38.0%
Opta Minerals	34,857,000	31,305,000	3,552,000	11.3%
SunOpta BioProcess	1,034,000	1,194,000	(160,000)	(13.4%)
<b>Total Revenue</b>	<b>389,878,000</b>	<b>289,057,000</b>	<b>100,821,000</b>	<b>34.9%</b>
<b>Operating Income<sup>1</sup></b>				
SunOpta Food Group	11,100,000	14,997,000	(3,897,000)	(26.0%)
Opta Minerals	3,508,000	3,394,000	114,000	3.4%
SunOpta BioProcess & Corporate	(3,977,000)	(3,588,000)	(389,000)	(10.8%)
<b>Total Operating Income</b>	<b>10,631,000</b>	<b>14,803,000</b>	<b>(4,172,000)</b>	<b>(28.2%)</b>
Other Expense, net	406,000	279,000	127,000	(45.5%)
Interest Expense	3,729,000	3,147,000	582,000	18.5%
Income Tax Provision	1,513,000	3,490,000	(1,977,000)	(56.6%)
Minority Interest	524,000	532,000	(8,000)	(1.5%)
<b>Net earnings</b>	<b>4,459,000</b>	<b>7,355,000</b>	<b>(2,896,000)</b>	<b>(39.4%)</b>

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

Revenues in the six months ended June 30, 2007 increased by 34.9% to \$389,878,000 based on internal growth of 15.7% and acquisition revenues of \$47,883,000. Internal growth includes growth on base business plus growth on acquisitions from the date of acquisition over the previous year. Revenue growth continues to be led by internal growth of 19.3% in the SunOpta Food Group, driven primarily by strong internal growth in SunOpta Grains and Foods and SunOpta Fruit Groups.

Operating income decreased by \$4,172,000, representing a decrease of 28.2% versus the six months ended June 30, 2006. Included in the results of the Food Group is a decline in operating income within the Fruit Group of \$8,206,000 primarily related reduced margins due to increased commodity and processing costs within the Fruit Group Berry Operations. Note that segmented operating income reflects an increase in allocated costs from Corporate to the SunOpta Food Group of \$2,495,000 for increased information technology services as well as back office functions provided to divisions using the Oracle ERP platform. Further details on revenue and operating income are provided below by operating group.

Interest expense increased by 18.5% to \$3,729,000 for the six months ended June 30, 2006 due to increased long-term debt and operating lines net of cash on hand. The increase in debt is primarily related to acquisitions completed over the past twelve months and an increase in working capital to fund internal growth.

Other expense for the six months ended June 30, 2007 of \$406,000 includes certain restructuring costs incurred mainly relating to the consolidation of warehouses within the SunOpta Distribution Group.

The income tax rate for the first six months of 2007 is approximately 23.3% as compared to 31.0% in the first six months of 2006. The reduced rate is due to lower earnings before income tax in the Food Group.

Segmented Operations Information

(Note: Certain prior year figures have been adjusted to conform with current year presentation and segmented reporting.)

## SunOpta Food Group:

	(Restated) June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
<b>Revenue</b>				
SunOpta Grains & Foods	117,209,000	89,016,000	28,193,000	31.7%
SunOpta Ingredients	36,473,000	35,251,000	1,222,000	3.5%
SunOpta Fruit	94,803,000	70,587,000	24,216,000	34.3%
SunOpta Distribution	105,502,000	61,704,000	43,798,000	71.0%
<b>Food Group Revenue</b>	<b>353,987,000</b>	<b>256,558,000</b>	<b>97,429,000</b>	<b>38.0%</b>
<b>Operating Income<sup>1</sup></b>				
SunOpta Grains & Foods	7,403,000	4,066,000	3,337,000	82.1%
SunOpta Ingredients	2,991,000	3,480,000	(489,000)	(14.1%)
SunOpta Fruit	(3,836,000)	4,370,000	(8,206,000)	(187.8%)
SunOpta Distribution	4,542,000	3,081,000	1,461,000	47.4%
<b>Food Group Segment Operating Income</b>	<b>11,100,000</b>	<b>14,997,000</b>	<b>(3,897,000)</b>	<b>(26.0%)</b>
<b>SunOpta Food Group Segment Margin %</b>	<b>3.1%</b>	<b>5.8%</b>		<b>(2.7%)</b>

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

The SunOpta Food Group contributed \$353,987,000 or 90.8% of total Company consolidated revenues in the six months ended June 30, 2007 versus \$256,558,000 in the same period in 2006. The revenue increase of 38.0% in the SunOpta Food Group reflects very strong sales growth from the SunOpta Distribution Group due to acquisitions and improving grocery sales, continued strength in soybean, corn, sunflower and soymilk revenues in the SunOpta Grains and Foods Group. The SunOpta Fruit Group also realizes incremental growth driven by strong internal growth and acquisitions.

Segment operating income in the SunOpta Food Group decreased by 26.0% to \$11,100,000 when compared to the same six month period in 2006. The decrease in segment operating is mainly due to reduced operating income of \$8,206,000 in the Fruit Group which is primarily a function of the Berry Operations acquiring significant amounts of inventory during a period of rising commodity and processing costs. Selling prices were not updated in a timely manner to adequately pass these increased commodity and processing costs on to our customers, which ultimately had a negative impact on gross profit. Excluding the decrease in the Fruit Group, the other food groups increased operating income by \$4,309,000. This increase reflects improved operating results due to strong soymilk and grains revenues as well as the continued turn around in the sunflower business and improvement in the SunOpta Distribution Group due to acquisitions and strength in grocery sales includes lower operating income, offset by decreases in the Ingredients Group due to the loss of a specialty soluble fiber manufacturing contract and higher SG&A and corporate cost allocations.

## SunOpta Grains &amp; Foods Group

For the six month period ended

	<b>June 30, 2007</b>	<b>June 30, 2006</b>	<b>Change</b>	<b>Change</b>
	\$	\$	\$	%
Revenue	117,209,000	89,016,000	28,193,000	31.7%
Gross Margin	14,267,000	9,789,000	4,478,000	45.7%
Gross Margin	12.2%	11.0%		1.2%
Segment Operating Income <sup>1</sup>	7,403,000	4,066,000	3,337,000	82.1%
Segment Margin	6.3%	4.6%		1.7%

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

---

The SunOpta Grains and Foods Group contributed \$117,209,000 in revenues in the first half, an increase of \$28,193,000 or a 31.7% increase over the same quarter in the previous year. This increase was attributed entirely to internal growth. The Group realized significant revenue increases of \$12,036,000 due to higher demand and commodity prices for organic corn, organic soy, IP soy and food ingredients. Revenues were also favorably impacted by an \$11,283,000 increase in soymilk based product sales due to new ESL and aseptic contracts. Sunflower products sales contributed \$5,113,000 of the increased revenue due to higher pricing and demand. These increases were offset by \$239,000 due to lowered volumes of roasted grain products.

Gross margin in the Grains and Foods Group increased by \$4,478,000 in the six months ended June 30, 2007 to \$14,267,000 or 12.2% of revenue, as compared to 11.0% in the first half of 2006. Sunflower product margins have increased \$1,767,000 due to improved pricing, plant efficiencies and improvement in overall crop quality. Higher net margin rates were realized on soymilk and roasted grain products of \$1,398,000 due to increased volumes and plant efficiencies due to higher volumes. Higher sales volumes and commodity prices have improved margins in our corn, soybean and food ingredient products by \$1,313,000.

SG&A in the first half of the year increased to \$6,856,000 from \$5,521,000 in the prior year. The increase is attributed to higher corporate cost allocations of \$781,000, an increase of \$406,000 due to additional headcount and higher self-insurance benefit costs plus \$148,000 in other SG&A primarily related to increased trade advertising and promotional activity.

Segment operating Income increased by \$3,337,000 or 82.1% reflecting higher gross margins and a reduction of foreign exchange losses of \$194,000 related to our Euro hedges, offset by the increases in SG&A noted above.

#### SunOpta Ingredients Group

##### For the six month period ended

	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	36,473,000	35,251,000	1,222,000	3.5%
Gross Margin	7,308,000	6,794,000	514,000	7.6%
Gross Margin	20.0%	19.3%		0.7%
Segment Operating Income <sup>1</sup>	2,991,000	3,480,000	(489,000)	(14.1%)
Segment Margin	8.2%	9.9%		(1.7%)

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

The SunOpta Ingredients Group contributed revenues of \$36,473,000 in the first half of 2007 as compared to \$35,251,000 in 2006, a 3.5% increase. The increase is attributable to higher dairy blending revenues of \$3,192,000, higher sales of oat and soy fiber of \$1,700,000 and improved volumes of contract ingredient blending by \$915,000. These improvements were offset by lower revenues of \$3,433,000 due to the lost volumes of a specialty soluble fiber manufacturing contract which was announced in 2006. As well, lower volumes related to our technical processing of starch, molasses and other products decreased revenues by \$1,152,000.

In the first six months of 2007, gross margin in the Ingredients Group increased by \$514,000 and the margin rate increased by 0.7% to 20.0% of revenue. The increase in margin is attributable to the increased volumes of our dairy blending products by \$894,000 due to improved market conditions and plant efficiencies. Also, continued demand related to our oat and soy fiber product lines increased gross margins by \$372,000. These were offset by lower

volumes related to our specialty soluble fiber products of \$543,000 and decreased volumes related to technical processing of ingredients by \$209,000.

SG&A in the first six months of \$4,318,000 increased by \$1,003,000 compared to the prior year. The increase is primarily related to the increased personnel and related costs of \$664,000 due to additional headcount group dedicated to process improvement for operational efficiency and a higher corporate cost allocation of \$400,000 offset by a net savings in other SG&A totaling \$61,000.

The decrease in segment operating income of \$489,000 to \$2,991,000 reflects the variances noted above.

---



SunOpta Fruit Group  
For the six month period ended

	(Restated)		Change	Change
	June 30, 2007	June 30, 2006		
	\$	\$	\$	%
Revenue	94,803,000	70,587,000	24,216,000	34.3%
Gross Margin	6,861,000	10,859,000	(3,998,000)	(36.8%)
Gross Margin	7.2%	15.4%		(8.2%)
Segment Operating Income <sup>1</sup>	(3,836,000)	4,370,000	(8,206,000)	(187.8%)
Segment Margin	(4.0%)	6.2%		(10.2%)

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

The SunOpta Fruit Group contributed revenues of \$94,803,000 in the first half of 2007 as compared to \$70,587,000 in 2006, a 34.3% increase or \$24,216,000. Internal growth within the group was 28.6% in the first half of 2007. Revenue increased by \$7,971,000 due to continued strength related to IQF fruit and frozen strawberries. Global sourcing operations contributed \$6,076,000 of the increase primarily due to gains in industrial and private label sales. Also contributing to the improved revenue growth were increased fruit bar shipments of \$4,262,000 due to the continued roll out of new private label programs. The acquisitions of the Mexican operations (Global, Del Rio and BCC) and Hess contributed \$3,299,000 of higher revenues. Our fruit topping operations improved by \$2,608,000 due to the new rollout of toppings to a national breakfast restaurant chain, and growth in the organic segment.

Gross margins in the Fruit Group decreased by \$3,998,000 in the six months ended June 30, 2007 to \$6,861,000 or 7.2% of revenue, as compared to 15.4% of revenue in 2006. The decrease is due to higher inventory costs resulting in lower margins within the Berry Operations. More specifically, the lower margins were isolated in the Berry Operations excluding Hess Food Group LLC and the Mexican acquisitions ("California Berry Operations") and are described in further detail below. Excluding the decline in California berry operations, gross margins in the other components of the Fruit Group, excluding the healthy fruit snack business, increased. Gross margin increases of \$1,063,000 were attributable to our global sourcing operations due to gains in industrial and private label sales of fruit products. The acquisition of the Hess Food Group provided additional procurement margins of \$933,000. The newly acquired Mexican berry operations contributed \$464,000 of margins. These increases were offset by a \$152,000 decline in margin in the healthy fruit snack business due to higher sourcing and processing costs associated with increased fruit bar volume.

Gross margins declined by \$6,306,000 within the California Berry Operations. The decline was as a result of an aggressive purchasing strategy which occurred during a time of increasing raw material and input prices. Selling prices were not updated in a timely manner to adequately pass these increased commodity and processing costs on to our customers, which ultimately had a negative impact on gross profit. Margins were further eroded by higher storage costs, increased temporary labor costs and higher overheads, much of which was a direct function of the rise in purchasing volume. Additional operational inefficiencies associated with capital expansion and turnover of key personnel also contributed to the decline in margin. The increase in carrying value and volume of inventory on hand in relation to a market with abundant supply ultimately resulted in provisions being required to reduce the investment in inventory to net realizable value ("NRV"). These provisions were concentrated mainly in bulk industrial and bi-product inventory.

SG&A costs increased \$4,025,000 to \$10,466,000 as compared to the same period in the prior year. The increases were attributed to additional structural headcount, including quality, human and finance resources, travel and advertising costs to support new products and programs of \$1,598,000, increased variable SG&A costs related to our

global sourcing operations of \$829,000, incremental costs associated with the acquisitions of \$953,000 and \$645,000 in additional corporate cost allocations.

Segment operating income in the SunOpta Fruit Group decreased from the prior year to a loss of \$3,836,000 for the six months ended June 30, 2007 as compared to \$4,370,000 in 2006. In addition to the decreases noted above the group experienced an increased foreign exchange loss of \$183,000 in the quarter.

---

SunOpta Distribution Group  
For the six month period ended

	(Restated)			
	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	105,502,000	61,704,000	43,798,000	71.0%
Gross Margin	29,573,000	16,355,000	13,218,000	80.8%
Gross Margin	28.0%	26.5%		1.5%
Segment Operating Income <sup>1</sup>	4,542,000	3,081,000	1,461,000	47.4 %
Segment Margin	4.3%	5.0%		(0.7%)

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

The SunOpta Distribution Group contributed revenues of \$105,502,000 in the first half of 2007, an increase of \$43,798,000 or 71.0% over the prior year. Internal growth within the group including internal growth on acquired companies was 6.7%. The acquisitions of Purity, Quest and Aux Mille resulted in increases of \$39,786,000 over the prior year. In addition, revenues were favorably impacted by an increase in grocery and retail sales of \$6,485,000 primarily due to strong sales in western Canada and an increase in natural organic and kosher product lines in eastern Canada. These increases were offset by the rationalization of certain produce customers and operations totaling \$2,473,000 primarily in eastern Canada and Quebec.

Gross margin in the Distribution Group increased by \$13,218,000 in the six months ended June 30, 2007 to \$29,573,000 or 28.0% of revenues. The increase in the gross margin rate of 1.5% was attributable to higher margins associated with the acquisitions of \$11,920,000 and higher margins of \$1,306,000 within grocery as margins in both eastern and western Canada showed improvement. These increases were slightly offset in dollar terms by a slight margin decline of \$8,000 from produce operations due to the rationalization noted.

Combined SG&A and W&D costs increased by \$12,063,000 to \$25,410,000 compared to the same period in the previous year. As a percentage of revenues, SG&A and W&D have increased to 24.1% of revenues versus 21.6% in the comparative period. SG&A and W&D related to the acquisitions totalled \$10,951,000, or 27.5% of revenue reflecting higher marketing and promotion expenses inherent to their product lines. The remaining increase includes the allocation of incremental corporate costs totalling \$670,000 plus other SG&A increases of \$442,000 primarily related to increased volumes in the base business.

The increase in segment operating income of 47.4% or \$1,461,000 to \$4,542,000 reflects the noted increase in gross margins offset by increased costs related to W&D and SG&A. The remaining positive variance of \$306,000 is attributable to foreign exchange gains realized in the period.

Opta Minerals Inc.

For the six month period ended

	June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	34,857,000	31,305,000	3,552,000	11.3%
Gross Margin	8,501,000	7,295,000	1,206,000	16.5%
Gross Margin	24.4%	23.3%		1.1%
Segment Operating Income <sup>1</sup>	3,508,000	3,394,000	114,000	3.4%

Edgar Filing: SunOpta Inc. - Form 10-Q/A

Segment Margin	10.1%	10.8%	(0.7%)
1			

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

Opta Minerals contributed \$34,857,000 or 8.9% of the Company's consolidated revenues for the six months ended June 30, 2006, versus \$31,305,000 or 10.8% in 2006. Opta Minerals revenues increased by \$5,671,000 due to the acquisitions of Magnesium Technologies Corporation and Bimac Inc. in the prior year. These increases were offset by revenue declines of \$2,119,000 in the Canadian foundry and abrasives business due to reduced cyclical demand within the industry and a decline in demand from the US steel industry.

Gross margins were \$8,501,000 or 24.4% of revenues in the six months ended June 30, 2007 versus \$7,295,000 or 23.3% of revenues in the 2006. The increase in margins was mainly attributable to the acquisitions with a net margin increase of \$1,241,000. The remaining margin decline of \$35,000 in the base business was minimized as volume declines in both the Canadian and US operations were offset by margin gains primarily due to price increases and plant efficiencies.

## Edgar Filing: SunOpta Inc. - Form 10-Q/A

The increase in segment operating income of \$114,000 to \$3,508,000 reflects the noted increase in gross margins of \$1,206,000, offset by a net increase related to SG&A of \$992,000 and a reduction of exchange gains of \$100,000. Included in the increased SG&A and intangible amortization are net increases in costs attributed to the acquisitions of MagTech and Bimac totaling \$920,000 including an increase in non-cash intangible amortization of \$233,000. The remaining net increase of \$72,000 is primarily related to the appreciation of the Canadian dollar versus the U.S. dollar as the majority of SG&A costs are denominated in Canadian dollars.

### SunOpta BioProcess and Corporate

#### For the six month period ended

	(Restated) June 30, 2007	June 30, 2006	Change	Change
	\$	\$	\$	%
Revenue	1,034,000	1,194,000	(160,000)	(13.4%)
Gross Margin	(239,000)	(118,000)	(121,000)	(102.5%)
Gross Margin	(23.1%)	(9.9%)		(13.2%)
Segment Operating Loss <sup>1</sup>	(3,977,000)	(3,588,000)	(389,000)	(10.8%)

1

(Operating Income is defined as "Earnings before the following" excluding the impact of "Other expense, net")

Revenues were \$1,034,000 for the six months ended June 30, 2007 versus \$1,194,000 in same period in 2006. Revenues during the period were derived from equipment supply contracts for the production of cellulosic ethanol.

Gross margin in SunOpta BioProcess was a loss of \$239,000 in the six months ended June 30, 2007 versus a loss of \$118,000 in the comparable period of the previous year. A profit estimate for a specific in-process project was deemed to be nil, causing a \$466,000 reserve to be taken against costs to complete the project. The remaining \$227,000 positive margin realized reflects the expected costs attributed to the percentage of contracts completed during the quarter. The negative margin in the prior year was due to the revision of Abengoa project costs to meet European equipment specifications.

Selling, general and administrative expenses were \$3,944,000 for the first six months of 2007 as compared to \$3,835,000 for the same period in 2006. The increase of \$1,874,000 resulted from additional personnel to support the increased financing and development activities within the BioProcess Group and additional personnel in the corporate offices as new functions (shared services, logistics and human resources) are added. Incremental costs of \$777,000 were incurred primarily related to the centralization of information technology services and additional Oracle consulting fees for the continued rollout. Offsetting the increases noted are additional management fee allocations of \$2,495,000 and other cost decreases of \$47,000. The increases noted include the impact of the strengthening Canadian dollar as a significant portion of Corporate and BioProcess expenses are born in Canada.

Segment operating losses of \$3,977,000 increased by \$389,000 from the same quarter in the previous year. The increase in the loss was due primarily to the factors noted above in gross margin and SG&A offset by a reduction of \$159,000 in foreign exchange gains realized.

#### Liquidity and Capital Resources (at June 30, 2007)

The Company obtained its short term financing through a combination of cash generated from operating activities, cash and cash equivalents, and available operating lines of credit. At June 30, 2007, the Company had availability under certain lines of credit of approximately \$10,300,000 (2006 36,000,000). Revolving acquisition lines were also

available to the Company and Opta Minerals with maximum draws of up to \$1,500,000 (2006 - \$10,000,000) and \$2,262,000 (2006 - \$4,693,000), respectively.

On July 4, 2007, the Company completed the expansion of existing credit facilities adding additional lenders Rabobank and HSBC Bank to its lending syndicate. As part of this facility expansion, our operating lines of credit in the United States were increased by \$30,000,000 with an additional \$20,000,000 acquisition facility available for future strategic acquisitions. The numbers presented above do not reflect these increased limits. The additional operating line replaced other credit facilities that were eliminated earlier in 2007.

The Company obtained its long term financing through its credit agreement noted above. The Company may expand this credit agreement, and/or obtain additional long term financing for internal expansion uses, acquisitions or other strategic purposes as required.

---

The Company had the following sources from which it could fund its operating 2007 cash requirements:

- Cash and cash equivalents.
- Available operating lines of credit.
- Cash flows generated from operating activities.
- Cash flows generated from receipts of options currently in-the-money and the employee stock purchase plan.
- Additional long term financing based on securitization of existing assets.

In order to finance significant acquisitions, the Company may need additional sources of cash which could be obtained through a combination of additional bank or subordinated financing, a private or public offering, or the issuance of shares in relation to an acquisition or a divestiture. The Company intends to maintain a target long term debt to equity ratio of approximately 0.60 to 1.00 versus the current position of 0.31 to 1.00.

The Company anticipates being able to obtain long term financing in view of its current financial position and past experience in the capital markets.

#### Cash Flows from Operating Activities

Net cash and cash equivalents increased \$28,726,000 during first six months of the year (2006 (\$779,000)) to \$29,680,000 as at June 30, 2007 (2006 - \$4,676,000). Approximately \$28,203,000 of this balance is restricted for use within the SunOpta BioProcess Inc. operations.

Cash flows provided by operations for the first six months before working capital changes was \$11,159,000 (2006 \$14,226,000), a decrease of \$3,067,000 or 21.6%. Cash provided (used) by operations after working capital changes was (\$38,372,000) for the six months ended June 30, 2007 (2006 \$7,759,000), reflecting the use of funds for non-cash working capital of (\$49,531,000) (2006 (\$6,467,000)). This utilization consists principally of an increase in inventories (\$33,043,000) (2006 (\$7,358,000)), an increase in accounts receivable (\$21,680,000) (2006 (\$7,846,000)) and an increase in customer deposits of (\$387,000) (2006 (\$95,000)). Offsetting these cash outflows are an increase in accounts payable of \$3,068,000 (2006 - \$6,721,000), reductions in the recoveries of income taxes of \$1,829,000, (2006 - \$1,847,000) and a decrease in prepaid expenses and other current assets of \$682,000 (2006 - \$264,000). The usage of cash flows to fund working capital in 2007 reflects the increase in working capital requirements to fund growth through the purchase of grains within the SunOpta Grains and Foods Group, organic and conventional fruit in the SunOpta Fruit Group and the seasonal kosher products within the SunOpta Distribution Group due to the Passover season. The absence of change in accounts payable reflects increased payments to grain farmers and international sourcing which requires payment at the point of delivery.

#### Cash Flows from Investing Activities

Cash provided (used) by investing activities of (\$28,079,000) in the first six months of 2007 (2006 (\$16,850,000)), reflects cash used to acquire companies of (\$13,380,000) (2006 (\$12,197,000)), to purchase property, plant and equipment of (\$12,481,000) (2006 (\$4,824,000)) and acquisition of patents, trademarks and Other Assets (\$2,218,000) (2006 \$171,000).

#### Cash Flows from Financing Activities

Cash provided (used) by financing activities was \$95,211,000 in the first six months of 2007 (2006 \$8,201,000), consisting primarily of net proceeds from the issuance of common shares of \$52,616,000 (2006 - \$2,977,000), net proceeds from the issuance of preference shares by a subsidiary of \$27,954,000 (2006 - \$nil) an increase in bank indebtedness of \$21,734,000 (2006 - \$5,358,000) and additional borrowings of \$1,500,000 (2006 - \$2,800,000), partially offset by repayment of term debt of (\$7,504,000) (2006 (\$2,304,000)) and repayment of deferred purchase consideration and other financing activities of \$1,089,000 (2006 - \$630,000).





Item 4. Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that as a result of the need to restate the condensed consolidated financial statements as at and for the three and six month periods ended June 30, 2007, our disclosure controls and procedures were not effective as of June 30, 2007. Refer to "Management's Report on Internal Control over Financial Reporting" as contained in Item 9A. Controls and Procedures in the Company's most recently filed Form 10-K for a description of the material weaknesses that have been identified.

Changes in Internal Control Over Financial Reporting

SunOpta's management, with the participation of SunOpta's Chief Executive Officer and Chief Financial Officer, has evaluated whether any change in SunOpta's internal control over financial reporting occurred during the second quarter of fiscal 2007. Based on that evaluation, management concluded that there was a material change in SunOpta's internal control over financial reporting during the second quarter of fiscal 2007. Specifically, in response to a financial systems conversion for a reporting unit within the Fruit Group that took place in the first quarter of fiscal 2007, manual procedures and adjustments supplanted certain system control processes relating to the purchasing, payables, sales, receivables, and inventory accounting cycles.

PART II - OTHER INFORMATION.

Item 1A. Risk Factors

Refer to the most recently filed Form 10-K under the heading "Risk Factors in Item 1A of that report for a list of certain risks associated with our operations.

Item 6. Exhibits

(a) Exhibits -

<u>31.1</u>	<u>Certification by Steven Bromley, President and Chief Executive Officer pursuant to Rule 13(a) 14(a) under the Exchange Act. **</u>
<u>31.2</u>	<u>Certification by John Dietrich, Vice President and Chief Financial Officer pursuant to Rule 13(a) 14(a) under the Exchange Act. **</u>
<u>32</u>	<u>Certifications by Steven Bromley, President and Chief Executive Officer and John Dietrich, Vice President and Chief Financial Officer pursuant to Section 18 U.S.C Section 1350. **</u>

\*\* Filed herewith  
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SUNOPTA INC.

/s/ John Dietrich

Date: July 21, 2008

**By John Dietrich**  
**Vice President and Chief Financial Officer**  
**SunOpta Inc.**

---