Integrated Grain Processors
Co-operative Inc.

August 13, 2012

Dear Fellow Members,

The past several months have witnessed a very substantial run up in corn prices to all time highs as what began as a good start to planting season has given way to the worst drought in the corn belt in more than five decades. Record plantings of corn had been expected to swell carry-over stocks of corn this season; however, that early optimism dried up as quickly as the growing fields.

In recent years ethanol values have tended to fluctuate up and down with a strong correlation to corn prices. However, in this spring and summers run up in corn prices, ethanol values have not kept pace resulting in production margins being significantly eroded. This reduction in margins is expected to be reflected in our 4th quarter results. As you can see from the enclosed financials the first three quarters of this year have been quite successful. However, similar to what we saw last year, we expect the 4th quarter to be more challenging.

One of the main culprits preventing ethanol values from increasing has been lower than normal North American gasoline demand which has driven ethanol stockpiles up. Reductions in ethanol production, as a number of plants have gone off line, have started to reduce the ethanol stockpiles.

Weather conditions across Ontario this growing season have been more variable than those experienced in the US corn belt. Although there certainly are areas of Ontario that have been adversely impacted by the hot dry summer, in general, the Ontario corn crop is at this point in reasonably good condition.

With US ethanol stocks coming back into balance, and a reasonably good Ontario harvest approaching, we believe IGPC is comparatively well positioned to deal with the current challenging environment.

As always, if members have specific question regarding this current corn situation they are encouraged to speak with myself in the Aylmer office or any of the other IGPC board members.

Regards,

Jim Grey

Jim Grey, CEO

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Integrated Grain Processors Co-operative Inc

Consolidated Balance Sheet

(Unaudited)

As at	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
	$	$	$	$
Assets				
Current assets:				
Cash	15,362,313	16,046,949	17,569,798	17,656,630
Restricted cash	2,715,736	2,713,300	2,710,895	2,708,217
Accounts receivable	11,548,352	11,877,043	9,674,868	6,993,256
Inventory	5,267,026	5,677,167	6,049,713	5,575,966
Prepaid expenses and deposits	2,112,911	2,001,167	1,477,026	1,555,500
Fair market value of commodity derivatives	554,304	-	591,978	-
Future income taxes	1,511,000	1,511,000	1,511,000	1,511,000
	39,071,642	39,826,626	39,585,278	36,000,569
Property, plant and equipment	70,139,176	72,433,420	72,986,109	74,504,491
Intangible asset	2,593,394	2,651,024	2,708,654	2,766,284
Future Income taxes	835,000	835,000	835,000	835,000
	112,639,212	115,746,070	116,115,041	114,106,344
Liabilities and Shareholders' Equity				
Current Liabilities:				
Accounts payable and accrued liabilities	4,563,381	3,904,569	4,362,882	4,380,325
Current portion of term debt	3,822,000	3,822,000	3,822,000	3,822,000
Current portion of capital lease obligation	738,210	738,210	719,621	619,905
Current portion of R&D fund liability	280,000	280,000	280,000	280,000
Fair market value of commodity derivative contracts	-	1,022	-	100,662
Fair market value of interest rate swap	488,990	593,312	762,424	944,838
	9,892,581	9,339,113	9,946,927	10,147,730
Capital lease obligation	1,992,309	2,150,231	2,319,937	2,566,478
Subordinate debentures	1,107,000	1,107,000	1,107,000	1,107,000
Term debt	6,573,001	9,383,723	11,664,035	16,393,645
R&D fund liability	1,477,567	1,725,532	1,693,498	1,661,464
Future income taxes	13,023,000	11,911,000	11,323,000	9,718,000
	34,065,458	35,616,599	38,054,397	41,594,317
Shareholders' Equity				
Capital stock	42,364,638	47,703,663	47,728,773	47,788,961
Contributed Surplus	673,246	703,186	703,186	703,186
Retained earnings	35,535,870	31,722,622	29,628,685	24,019,880
	78,573,754	80,129,471	78,060,644	72,512,027
	112,639,212	115,746,070	116,115,041	114,106,344

Integrated Grain Processors Co-operative Inc

Consolidated Statement of Operations and Retained Earnings
(Unaudited)

	Quarter 3 ended June 30, 2012 $	Quarter 2 ended March 31, 2012 $	Quarter 1 ended December 31, 2011 $	**Year to Date June 30, 2012 $**	Year to Date June 30, 2011 $
Net sales	30,401,004	30,765,555	34,932,221	**96,098,780**	90,201,025
Cost of goods sold	30,979,965	32,888,516	31,443,269	**95,311,750**	86,703,963
Depreciation and amortization	1,637,752	1,635,367	1,633,128	**4,906,247**	4,934,383
Net loss (gain) on commodity derivative contracts	(598,174)	(5,955)	136,536	**(467,593)**	502,788
Operating grants	(7,937,382)	(7,923,270)	(7,259,048)	**(23,119,700)**	(23,597,901)
	24,082,161	26,594,658	25,953,885	**76,630,704**	68,543,233
Gross profit	6,318,843	4,170,897	8,978,336	**19,468,076**	21,657,792
Selling, general and administrative expenses	793,380	801,568	693,912	**2,288,860**	2,969,174
Amortization of deferred financing costs and depreciation	208,470	238,850	289,527	**736,847**	1,006,888
	1,001,850	1,040,418	983,439	**3,025,707**	3,976,062
Operating income	5,316,993	3,130,479	7,994,897	**16,442,369**	17,681,730
Other income (expenses)					
Interest expense	(460,324)	(510,079)	(590,466)	**(1,560,869)**	(2,399,692)
Interest income	4,644	17,506	13,869	**36,019**	49,420
Gain on interest rate swap	104,322	169,112	182,413	**455,847**	526,644
Gain (loss) on foreign exchange	98,613	(52,081)	(183,908)	**(137,376)**	55,774
	(252,745)	(375,542)	(578,092)	**(1,206,379)**	(1,767,854)
Income before tax	5,064,248	2,754,937	7,416,805	**15,235,990**	15,913,876
Provision for current income taxes	139,000	73,000	203,000	**415,000**	594,600
Provision for future income taxes	1,112,000	588,000	1,605,000	**3,305,000**	3,694,000
Provision for income taxes	1,251,000	661,000	1,808,000	**3,720,000**	4,288,600
Net income for the period	3,813,248	2,093,937	5,608,805	**11,515,990**	11,625,276
Retained earnings, beginning of period	31,722,622	29,628,685	24,019,880	**24,019,880**	12,288,774
Retained earnings, end of period	35,535,870	31,722,622	29,628,685	**35,535,870**	23,914,050

Integrated Grain Processors Co-operative Inc

Consolidated Statement of Cash Flows

(Unaudited)

	Quarter 3 ended June 30, 2012 $	Quarter 2 ended March 31, 2012 $	Quarter 1 ended December 31, 2011 $	**Year to Date June 30, 2012 $**	Year to Date June 30, 2011 $
Cash flows from operating activities:					
Net income	3,813,248	2,093,937	5,608,805	**11,515,990**	11,625,276
Charges (credits) not affecting cash and cash equivalents:					
Depreciation and amortization	1,846,222	1,874,217	1,922,655	**5,643,094**	5,941,271
Unrealized loss (gain) on commodity derivative contracts	(547,932)	590,858	(698,890)	**(655,964)**	(367,911)
Gain on interest rate swap	(104,322)	(169,112)	(182,413)	**(455,847)**	(526,644)
Interest on R&D fund liability	32,034	32,034	32,034	**96,102**	90,152
Future income taxes	1,112,000	588,000	1,605,000	**3,305,000**	3,694,000
	6,151,250	5,009,934	8,287,191	**19,448,375**	20,456,144
Change in non-cash working capital items	1,285,900	(2,812,083)	(3,094,334)	**(4,620,517)**	3,946,960
	7,437,150	2,197,851	5,192,857	**14,827,858**	24,403,104
Cash flows from financing activities:					
Shares issued and redeemed	(5,000)	500	-	**(4,500)**	(5,500)
Repayments of subordinated debt and notes	-	-	-	**-**	(731,544)
Settlement of stock options	60	-	-	**60**	156
Payment of term debt	(3,000,000)	(2,500,000)	(5,000,000)	**(10,500,000)**	(11,500,000)
Return of Capital	(5,364,025)	(25,610)	(60,187)	**(5,449,822)**	(5,084,184)
Repayment of capital grant	-	-	-	**-**	(179,021)
Repayment of R & D Liability	(280,000)	-	-	**(280,000)**	-
Payment of capital lease obligation	(157,922)	(151,117)	(146,795)	**(455,834)**	(397,064)
Restricted cash	(2,436)	(2,405)	(1,887)	**(6,728)**	-
	(8,809,323)	(2,678,632)	(5,208,869)	**(16,696,824)**	(17,500,249)
Cash flows from investing activities:					
Purchase of property and equipment	687,537	(1,042,068)	(70,820)	**(425,351)**	(805,180)
Proceeds from disposal of property, plant and equipment				**-**	
	687,537	(1,042,068)	(70,820)	**(425,351)**	(805,180)
Net increase (decrease) in cash	(684,636)	(1,522,849)	(86,832)	**(2,294,317)**	6,097,675
Cash, beginning of period	16,046,949	17,569,798	17,656,630	**17,656,630**	14,180,256
Cash, end of period	15,362,313	16,046,949	17,569,798	**15,362,313**	20,277,931