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Interim consolidated financial statements

CMI Terminal Ltd.

[Unaudited]

For the six months ended June 30, 2017

CMI Terminal Ltd.

Interim consolidated statement of financial position
[Unaudited]

	June 30, 2017 $	December 31, 2016 $
Assets		
Current		
Cash [note 4]	**1,718,447**	1,964,954
Accounts receivable [note 5]	**2,161,101**	283,779
Inventory [note 6]	**2,994,343**	2,868,208
Prepaid expenses	**889,714**	2,172,537
Due from related party [note 12]	**175,056**	111,287
Total current assets	**7,938,661**	7,400,765
Investments	**87,400**	90,667
Property, plant & equipment [note 7]	**4,230,276**	4,364,113
	12,256,337	11,855,545
Liabilities and shareholders' equity		
Current		
Bank indebtedness [note 8]	**2,247,000**	2,153,000
Accounts payable	**2,029,508**	1,360,499
Unearned revenue	**20,154**	836,451
Income taxes payable	**35,919**	46,567
Current portion of term loan [note 9]	**382,492**	420,402
Current liabilities before callable term loan	**4,715,073**	4,816,919
Callable portion of term loan [note 9]	**792,134**	964,998
Total current liabilities	**5,507,207**	5,781,917
Deferred income taxes	**86,917**	76,092
Total liabilities	**5,594,124**	5,858,009
Commitments and contingencies [note 15]		
Shareholders' equity		
Share capital [note 10]	**489,560**	489,560
Retained earnings	**6,172,653**	5,507,976
Total shareholders' equity	**6,662,213**	5,997,536
	12,256,337	11,855,545

See accompanying notes

On behalf of the Board

"Fred Draude" Director "Mark Fouhse" Director

CMI Terminal Ltd.

Interim consolidated statement of net income and comprehensive income [Unaudited]

Six months ended June 30

	June 30, 2017 $	June 30, 2016 $
Sales [note 12]	**10,330,055**	11,351,401
Cost of sales	**7,971,160**	9,018,083
Gross profit	**2,358,895**	2,333,318
Expenses		
Depreciation	**185,452**	181,474
Office and administration [note 12]	**701,722**	567,741
Rent	**8,284**	69,193
Repairs and maintenance	**89,038**	164,260
Wages and benefits [note 12]	**686,907**	657,711
	1,671,403	1,640,379
Income before interest and income taxes	**687,492**	692,939
Interest on term loan	**(11,165)**	(15,010)
Interest revenue	**148,080**	41,429
	136,915	26,419
Income before income taxes	**824,407**	719,358
Income tax (recovery)		
Current	**148,905**	156,755
Deferred	**10,825**	(18,819)
	159,730	137,936
Total net and comprehensive income	**664,677**	581,422
Basic and diluted income per share	**32.21**	28.17
Average weighted number of common shares	**20,638**	20,638

See accompanying notes

CMI Terminal Ltd.

Interim consolidated statement of changes in equity
[Unaudited]

Six months ended June 30

	Share Capital	Retained Earnings	Total
	$	$	$
Balance at December 31, 2015	489,560	4,965,915	5,455,475
Net income and comprehensive income for the six months ended June 30, 2016	-	581,422	581,422
Balance at June 30, 2016	489,560	5,547,337	6,036,897
Net income and comprehensive income for the six months to December 31, 2016	-	270,209	270,209
Dividends	-	(309,570)	(309,570)
Balance at December 31, 2016	489,560	5,507,976	5,997,536
Net income and comprehensive income for the six months ended June 30, 2017	-	**664,677**	**664,677**
Balance at June 30, 2017	**489,560**	**6,172,653**	**6,662,213**

CMI Terminal Ltd.

Interim consolidated statement of cash flows

Six months ended June 30

	June 30, 2017 $	June 30, 2016 $
Operating activities		
Net and comprehensive income	**664,677**	581,422
Items not affecting cash		
Depreciation	**185,452**	181,474
Preferred income taxes	**10,825**	(9,092)
Increase in investments	**3,267**	-
Net change in non-cash working capital balances		
Accounts receivable	**(1,877,322)**	(2,891,011)
Inventory	**(126,135)**	660,843
Prepaid expenses	**1,282,823**	1,930,150
Accounts payable	**669,009**	1,286,516
Unearned revenue	**(816,297)**	(544,208)
Income taxes payable	**(10,648)**	27,352
Cash (used in) provided by operating activities	**(14,349)**	1,223,446
Investing activities		
Purchase of property, plant & equipment	**(51,616)**	(85,622)
Purchase of investments	**-**	(1,103)
Advances to related parties	**(63,769)**	(1,703)
Advances from related parties	**-**	52,466
Cash used in investing activities	**(115,385)**	(35,962)
Financing activities		
Repayment of long-term debt	**(210,773)**	(208,376)
Advances of bank indebtedness	**94,000**	(1,067,000)
Cash used in financing activities	**(116,773)**	(1,275,376)
Net decrease in cash during the period	**(246,507)**	(87,892)
Cash, beginning of period	**1,964,954**	1,946,461
Cash, end of period	**1,718,447**	1,858,569
Cash consists of:		
Cash	**1,073,267**	1,083,910
Cash (Joint Venture)	**645,180**	881,044
	1,718,447	1,964,954

See accompanying notes

Notes to the interim consolidated financial statements
[Unaudited]

June 30, 2017

1. Nature of operations

CMI Terminal Ltd.CMI Terminal Ltd. (“the Company”) was incorporated on June 4, 1998 under the laws of the Province of Saskatchewan, Canada. The Company is domiciled in Canada near Naicam, Saskatchewan. The address of the Company’s registered office is P.O. Box 43, Naicam, Saskatchewan, S0K 2Z0.

The Company was formed for the purpose of entering into a joint venture agreement with Viterra Inc. (“Viterra Inc.”) in constructing and operating an inland grain terminal near Naicam, Saskatchewan. The joint venture’s name is CMI Terminal Joint Venture ("the Joint Venture"). The Joint Venture partners, CMI Terminal Ltd. and Viterra Inc., are 50% participants in the Joint Venture.

Under the terms of the Agreement, all shipments from the Joint Venture facility are exclusively consigned to Viterra Inc. The ownership of grain transfers directly from each producer to Viterra Inc. at time of purchase. The Company, therefore, does not record grain inventory in its consolidated accounting records.

The Company’s subsidiary, CMI Ag Ltd., is in the business of selling crop input products and as a 100% subsidiary, all amounts are consolidated into the financial statements.

Due to the nature of the operations, the Company experiences effects of seasonality. The business is affected by changes in the agriculture sector, including the impact resulting from weather and crop yields and fluctuating commodity market prices. The Company’s second and third quarters generally have the highest amount of sales given the larger amount of crop input sales through the subsidiary during these time frames.

2. Basis of preparation and statement of compliance

Statement of compliance

The interim consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The interim financial statements may not include all of the disclosures that will be required in the Company's consolidated financial statements.

The consolidated financial statements were approved by those charged with governance and authorized for issue on October 26, 2017.

The consolidated financial statements have been prepared on the historical cost basis, except for certain items which are measured at fair value, as explained in note 3.

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. Summary of significant accounting policies

The significant accounting policies are as follows:

Basis of consolidation

These consolidated financial statements include the accounts of CMI Terminal Ltd., the financial accounts of its wholly owned subsidiary CMI Ag Ltd.

The Company's grain handling activites are regarded as joint operations and are conducted under a joint operating agreement, whereby two parties jointly control the assets. The financial statements reflect only the Company's 50% share of these jointly controlled assets, liabilities, revenues and costs.

3. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

Accounts receivable

Accounts receivable is reviewed for collectibility at each reporting period. If it is determined that it is probable that the receivable will not be collected, an allowance for doubtful accounts is recognized and bad debt expense is charged to income.

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Property, plant and equipment

Property, plant and equipment ("PP&E") is stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of major inspections, overhauls and replacement parts of an item of property, plant or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the inspection, overhauls and replacement part will flow to the Company and its cost can be measured reliably. The cost of day-to-day maintenance of property, plant and equipment is recognized immediately in profit or loss as incurred.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives.

Land has an unlimited useful life and is, therefore, not depreciated.

PP&E are depreciated from the date of acquisition or at the time they become available for use, if these times differ. Internally constructed assets are depreciated from the time the asset is available for use.

The useful life and depreciation method applied to each class of assets are reassessed at each reporting date. The useful life applicable for each class of asset during the current and comparative period are as follows:

NH3 equipment	10 years
Building	5 - 40 years
Computer equipment	5 years
Crop protection equipment	5 - 40 years
Equipment	3 - 40 years
Rail siding	40 years
Vehicles	3 - 10 years

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

On an annual basis, the Company reviews the carrying amounts of its PP&E to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating business unit to which the asset belongs. Cash generating business units are determined by management based on locations of facilities.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized immediately in net income and comprehensive income.

To date, the Company has recognized no impairments.

Where the components of an item of PP&E have different useful lives, the cost of that item is allocated on a reasonable basis among the components and each component is amortized separately.

The residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each reporting date.

Investments

Investments are equity investments recorded at fair value, less any provision for permanent impairment. They have been classified as long term assets in concurrence with the nature of the investment.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, when the significant risks and rewards of ownership of the goods have been transferred to the buyer and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected.

Grain handling and related revenue is recognized upon grain settlement. Crop production services revenue is recognized when risks and rewards of ownership of goods have been transferred to the buyer. This happens at the time of delivery.

Borrowing costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the construction of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

Borrowing costs are capitalized into the cost of qualifying assets until they are ready for their intended use of sale.

When the Company borrows funds specifically for the construction of a qualifying asset, the borrowing costs capitalized are the actual borrowing costs incurred, net of any interest earned on those borrowings. When funds borrowed for general purposes are used for the construction of a qualifying asset, borrowing costs are capitalized using a weighted average of the borrowing costs. All other borrowing costs are recognized in profit and loss as incurred.

3. Summary of significant accounting policies (continued)

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Company at the exchange rates prevailing at the transaction dates (spot exchange rate). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items are translated using the exchange rates at the date of the transaction. Translation gains and losses are included in net income and comprehensive income.

Income tax

Income tax expense comprises current and deferred income tax. Income taxes are recognized in net income and comprehensive income, except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts and amounts used for tax purposes. These amounts are measured using enacted or substantially enacted tax rates at the reporting date and remeasured annually for rate changes. Deferred income tax assets are recognized for the benefit of deductions available to be carried forward to future periods for tax purposes to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any effects of the remeasurement or reassessment are recognized in the period of change, except when they relate to items recognized directly in other comprehensive income. The company is taxed at an effective rate of 27% (2016 - 27%) on taxable earnings.

Deferred taxes are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity or for different tax entities where the company intends to settle its current tax assets and liabilities on a net basis or simultaneously.

Earnings per share

Basic earnings per share is calculated by dividing earnings available to common shareholders by the weighted average number of common shares. There are no dilutive instruments outstanding, such as warrants, rights or future conversion options of shares as at period-end.

Financial asset impairment

Management determines when a financial asset is impaired in accordance with IAS 39 Financial Instruments: recognition and measurement. This determination requires significant judgment. Management evaluates the duration and extent to which the fair value of the investment is less than its cost and the financial health of, and short-term business outlook for, the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

When the fair value declines, management makes assumptions about the decline in value to determine if it is an impairment to be recognized in profit or loss.

3. Summary of significant accounting policies (continued)

Fair value hierarchy

Fair value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of financial assets traded in active markets is based on quoted market prices at the close of trading on the reporting date. In the absence of an active market, the Company determines fair value based on internal or external valuation techniques, such as discounted cash flow analysis or using observable market based inputs (bid and ask price) for instruments with similar characteristics and risk profiles.

The Company classifies fair value measurement recognized in the statements of financial position using a three tier fair value hierarchy, which reflects the significance of inputs used in measuring fair value as follows:

•Level 1 : Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
•Level 2 : Inputs other than quoted prices in active markets (from Level 1) that are observable for the assets or liability, either directly or indirectly; and,
•Level 3 : Valuation techniques that include significant unobservable inputs.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or liability and may affect placement within the fair value hierarchy. The investments are classified as a Level 3 investment while cash and bank indebtedness are Level 1.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets at fair value through profit or loss ("FVTPL")

The Company has classified cash, bank indebtedness and investments at FVTPL.

This is in accordance with the Company's risk management strategy since the individual instruments share the same risk exposure. Fair value is determine by the market price quotations in an active market or approximated by the instrument's initial cost in a transaction between unrelated parties. These transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in profit (loss).

Financial assets at FVTPL are subsequently measured at their fair value.

Loans and receivables

The Company has classified accounts receivables and due from related parties as loans and receivables.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost, is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities measured at amortized cost

The Company has classified accounts payable and accrued liabilities and long-term debt as financial liabilities measured at amortized cost.

Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset of liability affected in the future.

The most significant uses of judgments and estimates are as follows:

(a) The fair value of financial instruments is the amount at which the instrument could be exchanged in a current transaction between willing parties. The methods and assumptions used by management in estimating fair value of the Joint Venture's financial instruments are outlined in the fair value hierarchy section of note 3, significant accounting policies. Wherever possible, the Company uses observable inputs, such as quoted prices in active markets, in determining the fair value of financial instruments.

(b) Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Accounts receivable that relate to rebates and discounts received from suppliers, are estimated based on the total amount of sales of the related product. The amounts estimated are subject to change as a result of amounts differing from the original estimate.

c) Inventory values are based on the lower of cost and net realizable value. Net realizable values are estimates based on the knowledge of the markets at the end of the period as well as consideration of the amount that a producer would purchase the product for.

(d) Management must also determine whether a financial asset is impaired. Management evaluates the extent that fair value declines and makes assumptions about the decline in value in order to determine if an impairment adjustment is necessary.

e) Depreciation is based on the estimated useful lives of PP&E.

(f) Gains and losses resulting from grading grains and oilseeds, which is subjective in nature, are recognized in the period they occur.

3. Summary of significant accounting policies (continued)

Use of estimates and judgments

(g) For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash flows which make up the cash generating unit ("CGU"). Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. In assessing the recoverability of tangible assets, each CGU's carrying value is compared to the greater of its fair value less costs to sell and value in use. Management has determined that the appropriate CGU for the company is grain handling and crop production products and services.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at June 30, 2017 but not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations

The IASB has issued new and amended IFRS standards under Part I of the CPA Handbook, which are not yet effective for the Company. None of the new or amended standards have been implemented in these financial statements. The significant changes to the standards are as follows:

- IFRS 9 Financial Instruments: sets out the requirements for the classification, measurement and impairment of financial assets and liabilities and a substantially reformed approach to hedge accounting. The new standard will come into effect on January 1, 2018.

- IFRS 15 Revenue from Contracts with Customers: specifies how and when to recognize revenue, and introduces more informative, relevant disclosures. The new standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted.

IFRS 16 Leases: outlines requirements for lessees to recognize assets and liabilities for most leases. Lessees are required to recognize the lease liability for the obligations to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Lease liability is measured at the present value of lease payments to be made over the term of the lease. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for prepayments, direct costs and incentives received. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early recognition is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16.

The Company has not yet determined the effect, if any, of the above standards on the financial statements.

3. Summary of significant accounting policies (continued)

Adoption of new accounting policies

The IASB has issued new and amended IFRS standards under Part I of the CPA Handbook which became effective for the COmpany during the year. The significant changes to the standards are as follows:

- IAS 7 Disclosure Initiative - Amendments to IAS 7: The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendment did not have any impact on the Company.

4. Cash

	June 30, 2017	December 31, 2016
	$	$
Cash held in bank accounts	**1,073,267**	1,083,910
Cash held in bank accounts (joint venture)	**420,180**	506,044
Cash held in treasury account (joint venture)	**225,000**	375,000
	1,718,447	1,964,954

Cash held in the Scotiabank treasury account bears interest at Scotia Connect's treasury rate of 1.1% (2016 - 1.1%)

5. Accounts receivable

	June 30, 2017	December 31, 2016
	$	$
Trade	**1,544,085**	88,549
Viterra	**163,473**	119,542
Supplier rebates	**442,937**	72,006
Goods and Services Tax	**10,606**	3,682
	2,161,101	283,779

	$	$
Current	**2,158,195**	283,779
30 days	**2,340**	-
60 days	**210**	-
Over 90 days	**356**	-
	2,161,101	283,779

Notes to the interim consolidated financial statements [Unaudited]

June 30, 2017

6. Inventory

	June 30, 2017 $	December 31, 2016 $
Chemical	**2,471,592**	1,570,569
Seed	**282,258**	476,268
Fertilizer	**166,735**	725,781
Agriculture equipment	**68,933**	-
NH3	**4,825**	95,590
	2,994,343	2,868,208

The cost of inventories recognized as an expense and included in cost of sales amounted to $7,971,160 (June 30, 2016 - $9,018,083).

7. Property, plant & equipment

	Balance at December 31, 2015 $	Net additions and disposals $	Balance at December 31, 2016 $	Net additions and disposals $	Balance at June 30, 2017 $
Buildings	5,452,826	-	5,452,826	-	**5,452,826**
Equipment	1,459,165	117,502	1,576,667	24,089	**1,600,756**
Vehicles	259,269	41,213	300,482	(5,737)	**294,745**
Rail siding	168,691	-	168,691	-	**168,691**
Computer equipment	73,856	-	73,856	-	**73,856**
NH3 equipment	1,135,151	-	1,135,151	-	**1,135,151**
Crop protection equipment	736,350	149,045	885,395	23,764	**909,159**
Land	83,845	-	83,845	-	**83,845**
	9,369,153	307,760	9,676,913	42,116	**9,719,029**

	Balance at December 31, 2015 $	Depreciation and disposals $	Balance at December 31, 2016 $	Depreciation and disposals $	Balance at June 30, 2017 $
Buildings	2,625,642	119,524	2,745,166	59,744	**2,804,910**
Equipment	1,222,451	47,502	1,269,953	26,630	**1,296,583**
Vehicles	161,903	28,934	190,837	4,844	**195,681**
Rail siding	22,844	4,218	27,062	2,109	**29,171**
Computer equipment	71,882	1,217	73,099	500	**73,599**
NH3 equipment	342,861	109,343	452,204	54,671	**506,875**
Crop protection equipment	501,849	52,630	554,479	27,455	**581,934**
	4,949,432	363,368	5,312,800	175,953	**5,488,753**

Notes to the interim consolidated financial statements [Unaudited]

June 30, 2017

7. Property, plant & equipment (continued)

Net Book Value

	June 30, 2017 $	December 31, 2016 $
Buildings	**2,647,916**	2,707,660
Equipment	**304,173**	306,714
Vehicles	**99,064**	109,645
Rail siding	**139,520**	141,629
Computer equipment	**257**	757
NH3 equipment	**628,276**	682,947
Crop protection equipment	**327,225**	330,916
Land	**83,845**	83,845
	4,230,276	4,364,113

8. Bank indebtedness

Bank indebtedness includes an operating loan in the amount of $2,247,000 (December 31, 2016 - $2,153,000), which bears interest at prime plus 0.25%. The Company is subject to certain borrowing conditions and debt covenants, relating to having sufficient levels of inventory and accounts receivable. The Company is in compliance with all covenants at June 30, 2017. Security on the operating line is a general security agreement. Bank indebtedness is authorized to a maximum of $6,000,000 (December 31, 2016 - $6,000,000)

9. Long-term debt

	June 30, 2017 $	December 31, 2016 $
Demand term loan payable in monthly instalments of $11,722, plus interest at 2.67%, secured by a general security agreement, with current term maturing in 2018	**354,584**	424,860
Demand term loan payable in monthly instalments of $10,890, plus interest at 2.67%, secured by a general security agreement, with current term maturing in 2018	**46,325**	195,326
Demand term loan payable in monthly instalments of $8,334, plus interest at 2.67%, secured by a general security agreement, with current term maturing in 2018	**735,975**	702,316
Demand term loan payable in monthly instalments of $4,193, plus interest at 2.67%, secured by a general security agreement, with current term maturing in 2018	**37,742**	62,900
	1,174,626	1,385,402
Less current portion	**382,492**	420,402
Less callable portion	**792,134**	965,000
	-	-

9. Long-term debt (continued)

Long-term debt is subject to certain financial covenants with respect to tangible net worth and interest coverage ratio. As at June 30, 2017, the Company was in compliance with all such covenants.

Under IAS 1 of the CPA Handbook, all the long-term debt which is demand in nature must be disclosed as current. Accordingly, the Company's demand loans were considered current liabilities and therefore were included in the current portion of long-term debt, even though payment terms extending beyond one year had been arranged with the bank.

10. Share capital

Authorized an unlimited number of

Class A voting, common shares which may be issued in series

Class B non-voting, shares which may be issued in series. The Class B shares may be converted into Class A Series1 shares as follows: (i) Class A Shareholders may convert their Class B Series 1 shares for Class A Series 1 shares on a one-to-one basis; and (ii) Class B (only) shareholders may convert their Class B Series 1 shares to Class A Series 1 shares on a one-to-one basis provided that such conversion rights may only be exercised in lots of 10 Class B Series 1 shares

Class C non-voting, preferred shares, redeemable by the Company, retractable by the holder

Class D non-voting, preferred shares, redeemable by the Company, retractable by the holder. Each Class D share may be converted into three Class A Series 1 shares at the option of the Company

Issued

	June 30, 2017	**December 31, 2016**
	$	$
20,638 Class A shares (December 31, 2016 - 20,638)	**489,560**	489,560

During the six months ended June 30, 2017, there were no transactions affecting the outstanding number of shares.

11. Income taxes

The income tax expense differs from the amount computed by applying Canadian statutory rates to income before taxes for the following reasons:

	June 30, 2017 $	June 30, 2016 $
	27%	27%
Income for the year before income taxes	**824,000**	719,000
Anticipated income tax	**222,000**	194,000
Tax effect of the following		
Benefit of income tax loss carry-forwards not previously recognized	**5,000**	-
Effect of small business deduction rates	**(55,272)**	-
Deferred taxes	**10,825**	(18,819)
Other	**(22,823)**	(37,245)
Income tax expense	**159,730**	137,936

12. Related party transactions

All export bound shipments from the Joint Venture are consigned to Viterra Inc., a joint venturer; therefore, the Joint Venture receives its grain handling revenues through Viterra Inc. All related party transactions are recorded at the exchange amount agreed upon by both parties, which approximates fair value.

Total sales and cost of sales reported include sales in the amount of $972,135 (six months ended June 30, 2016 - $1,302,947) and cost of sales in the amount of $8,396 (six months ended June 30, 2016 - $9,736) which were made with Viterra Inc. Of the total sales and purchases from Viterra, $175,056 (December 31, 2016 - $111,287) is recorded as due from related party. The balance receivable bears no interest and is payable upon invoicing. No provision for doubtful debts has been recognized in relation to the outstanding balance.

All intercompany transactions have been eliminated upon consolidation between CMI Terminal Ltd. and CMI Ag Ltd.

The transactions are in the normal course of operations and are measured at amounts, which approximated fair value, as established and agreed by the related parties. The balance outstanding are unsecured, bear no interest, and have no set terms of repayment.

Key management personnel

Key management personnel consists of the general manager, controller, branch manager, terminal operations manager, manager of grain marketing and logistics, and the Ag sales manager.

Compensation shown includes (where applicable) wages and salaries, paid annual leave, and paid sick leave, bonuses and value of benefits received, but excluded out-of-pocket reimbursements.

Compensation paid for the six months ended June 30, 2017 to key management personnel totaled $250,611 (six months ended June 30, 2016 - $203,759).

12. Related party transactions (continued)

Other transactions with directors

During the six month period ended June 30, 2017, the Company made $420,545 (June 30, 2016 - $804,977) sales of crop inputs to directors or corporations controlled by directors.

During the six months ended June 30, 2017, the Company purchased grain from the directors or corporations controlled by directors. Of the total revenue reported, $40,293 (six months ended June 30, 2016 - $60,822) was generated as a result of transactions with directors. The sales and purchases were made on the same terms and conditions available to all other customers. Of these amounts, $nil is receivable at June 30, 2017 (six months ended June 30, 2016 - $nil).

13. Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholders.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions, growth and the risk characteristics of the underlying assets. There have been no changes in the monitoring of capital or strategy from the prior year.

The Company manages the following as capital:

	June 30, 2017	**December 31, 2016**
	$	$
Bank indebtedness	**2,247,000**	2,153,000
Term loan	**1,174,626**	1,385,402
Share capital	**489,560**	489,560
Retained earnings	**6,172,653**	5,507,976
	10,083,839	9,535,938

The Company is bound by certain externally imposed covenants on its bank indebtedness and term loans. These covenants restrict the limit to which the Company can borrow to a limit of certain percentages on accounts receivable plus inventory. Due to the cyclical nature of the business, these percentages change throughout the year to correspond to the cyclical nature of the business.

14. Segmented information

The company's business operations are grouped into two reportable segments as follows:

a) Grain Handling
This segment provides the following services for grain commodities: elevation, cleaning, drying, storage, procurement and shipping logistics. Grain handling segment's operations are carried out entirely in CMI Terminal Joint Venture

b) Crop production products and services
This segment consists of sales of fertilizer, crop protection products, seed, seed treatments, and agricultural equipment. Crop production products and services segment's operations are carried out entirely in CMI Ag Ltd.

Total Net and Comprehensive Income June 30, 2017

	Grain Handling $	Crop production products and services $	Total $
Revenues	**972,135**	**9,357,920**	**10,330,055**
Cost of sales	**(8,396)**	**(7,962,764)**	**(7,971,160)**
Gross profit	**963,739**	**1,395,156**	**2,358,895**
Operating expenses			**(1,671,404)**
Interest on term loan			**(11,164)**
Other revenue			**148,080**
Income taxes			**(159,730)**
Total net and comprehensive income	**963,739**	**1,395,156**	**664,677**
Depreciation	**83,825**	**101,627**	**185,452**
Net asset additions	**27,852**	**23,764**	**51,616**
Total assets	**3,971,737**	**8,284,600**	**12,256,337**

14. Segmented information (continued)

Total Net and Comprehensive Income June 30, 2016

	Grain Handling $	Crop production products and services $	Total $
Revenues	1,302,947	10,048,454	11,351,401
Cost of sales	(9,737)	(9,008,346)	(9,018,083)
Gross profit	1,293,210	1,040,108	2,333,318
Operating expenses			(1,640,379)
Interest on term loan			(15,010)
Other revenue			41,429
Income taxes			(137,936)
Total net and comprehensive income	1,293,210	1,040,108	581,422
Depreciation	79,966	101,508	181,474
Net asset additions	85,622	-	85,622
Total assets	4,159,604	7,695,941	11,855,545

15. Commitments and contingencies

The Company has committed to upgrading the grain elevators computer equipment. They expect that the new equipment will be installed in the fall of 2017. It is estimated that the cost to the Company for the new equipment will be approximately $200,000, to be financed through venture operations.

At period-end, the CMI Terminal Joint Venture held 7,917 (December 31, 2016 - 16,417) tonnes of grain inventory with a market value of $2,178,633 (2016 - $5,321,999) on behalf of Viterra Inc. and area producers. The Company is contingently liable for 50% of the value of this inventory if losses in quality or quantity occur.

CMI Ag Ltd. rents assets from the Company and as a result has committed to paying rent quarterly based on 3% of the gross sales for that period.

Prepaid expenses and deposits consists of monies that have been paid to suppliers on account for product that is to be delivered between July 1, 2017 and December 31, 2017. The deposits are made to lock in prices at that time the deposit is made. Accordingly, the Company is committed to purchasing product with an aggregate cost of $832,370 (June 30, 2016 - $48,843).

16. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of interim consolidated financial statements in assessing the extent of risk related to financial instruments.

Foreign exchange risk

Foreign exchange risk is the risk that the value of the Canadian dollar in relation to other currencies changes. Foreign exchange risk arises primarily from purchase transactions. The Company does not hold any financial assets or liabilities in foreign currencies, and foreign exchange risk is limited to a small number of asset purchases in US dollars which are recorded at the spot rate at the time the Company acquires ownership of the asset.

Fair value of all financial assets and liabilities approximate carrying values

The Company, as part of operations, has established avoidance of undue concentrations of risk as a risk management objective. In seeking to meet this objective, the Company follows a risk management policy approved by its Board of Directors.

The carrying amounts of accounts receivables, accounts payable and accruals and customer deposits approximate their fair value due to the short-term maturities of these items.

Fair values are based on management's best estimates after consideration of current market conditions. The estimates are subjective and involve considerable judgment and as such, are not necessarily indicative of the amounts that the Company may incur in actual market transactions. The fair value of the investments is based on the amount that would be received on redemption of the shares.

	June 30, 2017 Fair value $	**December 31, 2016 Fair value** $
Financial assets		
Cash	**1,718,447**	1,964,954
Investments	**87,400**	90,667
Financial liabilities		
Bank indebtedness	**2,247,000**	2,153,000

	June 30, 2017 Carrying value $	**December 31, 2016 Carrying value** $
Financial assets		
Cash	**1,718,447**	1,964,954
Investments	**87,400**	90,667
Financial liabilities		
Bank indebtedness	**2,247,000**	2,153,000

16. Financial instruments (continued)

Credit risk

The Company does have credit risk in accounts receivable of $2,161,101 (December 31, 2016 - $283,779). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The Company maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Company is low and is not material.

The Company's maximum credit exposure at the statements of financial position date consists primarily of the carrying amounts of accounts receivable. Amounts receivable from Viterra Inc., a venturer as described in note 1, as at June 30, 2017 represents 8% (December 31, 2016 - 42%) of total accounts receivable.

Liquidity risk

The Company does have a liquidity risk in the accounts payable and accrued liabilities of $2,029,508 (2016 - $1,360,499). Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Company is low and is not material.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on their fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through renewal of debt on a regular basis.

The Company is exposed to interest rate risks with respect to its floating rate and operating line-of-credit. A 1.0% increase in interest rates relating to the Company's operating line-of-credit would reduce the Company's net income and comprehensive income by approximately $22,000 (June 30, 2016 - $14,380).

The Company is exposed to interest rate risks with respect to its fixed rate long-term debt. A 1.0% increase in interest rates relating to the Company's long-term debt would reduce the Company's net income and comprehensive income by $11,746 (June 30, 2016 - $15,957)

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company enters into transactions to purchase crop production products, for which the market prices fluctuate. The nature of the Company's activities exposes it to risks of changes in commodity prices related to crop inputs that may occur between the time products are received from the supplier and the actual date of sale to customers. The Company quotes spring prices to many of its customers, which may or may not be higher than the price at which they purchased it for. To mitigate a portion of this risk, the Company enters into contracts with the supplier to purchase the product at a reasonable price, which is less than the price quoted.

16. Financial instruments (continued)

Price Risk (continued)

Commodity price risk is the risk that the value of inventory will fluctuate due to changes in market prices. A change in price and quality will have a direct effect on the value of inventory. Exposure typically includes, but is not limited to, changes in the commodity prices of oilseeds and grains inventories. Prices for these commodities are volatile and are influenced by numerous factors beyond the company's control, such as supply and demand fundamentals, as well as, the weather. A substantial change in prices may affect the company's net income and comprehensive income and operating cash flows, if not properly managed.

The Company does not take ownership of oilseeds and grains inventories, and does not enter into derivative contracts. The commodity price risk relating to oilseeds and grains is therefore limited to the change in market prices while the company holds inventories that they are contingently liable for as described in note 15.

To mitigate the risks associated with the fluctuations in the market price for all agricultural commodities, the Company has management controls to limit reductions in the value of inventory due to quality loss and changes in prices.

17. Economic Dependence

The Company markets substantially all of its grain product through an arrangement with Viterra Inc. The ability of the Company to sustain operations is dependent upon the continued operation of this arrangement.

18. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.