



**CMI TERMINAL**

# 2006

*Annual Report*

*Locally owned, globally connected.*





## Erwin Crone

July 1938 – February 2006

CMI Terminal Ltd. - Director 2000-2006



Erwin was born on July 3, 1938 in Humboldt and grew up near Annaheim and attended school in the area. Erwin took a welding apprentice course in Moose Jaw and became a Journeyman Welder and Ironworker. He began farming on a part-time basis in 1972, in the Spalding area. Erwin retired from his Ironworker profession in 1993 so he could focus on farming full-time, which had become his passion.

He was elected to the Board of Directors for CMI Terminal Ltd., since 2000. He held strong views and opinions in all matters and he was always straight forward and not afraid to make his views known. He always used to say “No one ever wonders which direction I’m coming from – I give it to them straight!” And he always did.

Around the Naicam and Spalding area he was best know as “E.C.” or “Big Guy”. His laugh was so infectious that one couldn’t help but smile when he was around, and we know that E.C. will be providing some “spirited” debates even as we speak. He will be forever remembered by all of us at CMI Terminal JV and CMI Terminal Ltd.



## **A Message from the President**

The past year has brought forth many new challenges and fatalistic circumstances for producers and CMI Terminal JV alike.

CMI has lost a good director and I lost a friend when Erwin Crone passed away suddenly on February 28, 2006. The wet spring reduced acres and income for our customers and also for CMI as we are a volume driven business. With the rain in the fall and the snow this winter we may have another wet spring. The uncertainty of the Canadian Wheat Board's future could affect our customers as well as CMI. I worry not only about the marketing, but the demise of the Canadian Wheat Board and the effects it could have on car allocation and perhaps the cash advance program.

Our slogan of **"Locally Owned, Globally Connected"** may take a whole new meaning if we need to market our grain overseas; however, our partner Agricore United has many inroads across the ocean and South of the border, which puts my mind at ease. Grain prices are finally going the right direction; there is optimism on the farm once again.

Thanks to Andrew, our staff and good volumes of grain, through CMI JV, CMI Ltd. have enjoyed our most profitable year. A dividend of \$5.75 per share will be paid this year, rewarding shareholders who invested their hard earned dollars in our terminal.

CMI JV is working with CP Rail to increase our car spot to 112, which would give CMI JV an opportunity to move grain earlier and perhaps solve some of the shipping bottleneck we have been experiencing. We are hopeful that this endeavor will be implemented by fall.

Subject to receipt of approval from Agricore United, CMI JV hopes to construct extra storage facilities on the North side of the terminal. Our current proposal includes two steel bins to be utilized by producers as condos, with CMI using the balance to ensure we can be prepared to load 112 cars. Construction of such additional storage space is also subject to final approval of necessary financing.

I wish to thank Bob Junk for his time served as a director, unfortunately health problems have led to his resignation. I want to wish Bob a short recovery back to good health.

I also want to thank the rest of the directors for the work they have done in 2006. Our company is steadily growing, which takes time and vision to plan and build. Thanks guys.

Please check out our website at [www.cmiterminal.com](http://www.cmiterminal.com) or contact our Marketing Department for pricing opportunities.

**Fred Draude  
President &  
Chairman CMI Ltd.**

## A Message from the General Manager

I am pleased to announce that CMI Terminal JV has realized its largest positive financial results since it opened for business in 2000. CMI JV has achieved a net bottom line of \$1,253,258 on a handle of 250,269 metric tonnes. This translates into a net of \$5.00 per tonne as compared to \$.86 per tonne in 2005. This is a significant accomplishment given the challenges posed by the wet harvest and seeding conditions.

CMI Terminal's vision statement is, **"To be the best at serving our customers by providing quality products and services in order to promote peace of mind and enriching their quality of life through our partnership in the management of the risks they face"**. This statement outlines our commitment to all our customers; CMI JV recognizes that without customers we could not exist.

CMI JV continues to be a responsible corporate citizen by supporting numerous community initiatives either in direct financial donations or through voluntary work done by our Staff within the communities they live.

I would like to thank the staff at CMI JV for their dedication to our customers and our corporate values. I have found our staff has truly adopted our mission statement and values and as a result CMI JV provides a high quality of customer service, and has delivered value for our shareholders.

The future will provide many opportunities for both our customers and CMI Terminal. Commodity prices have shown steady improvement, value added products such as bio-fuels are being explored; edible food grains are becoming more in demand. I look forward to leading CMI Terminal JV during these exciting times, and continuing to build CMI JV as a company that is recognized for its, ***"Integrity, Customer Service, Initiative, Partnerships & Co-operation, Accountability, Innovation, and the Value it brings to its shareholders"***.

**Andrew Kolbeck**  
**General Manager of Operations**

## **CMI Terminal Staff**

❖ General Manager	Andrew Kolbeck
❖ Controller	Jacqueline Buhs
❖ Logistics & Marketing Manager	Derek Patterson
❖ Ag Sales & Service Manager	Troy Leicht
❖ Operations Manager	Curtis Mills
❖ CPS & Marketing Reps	Jason Hutchison
	Paulette Irvine
❖ Grain Buyers	Brent Franko
	Darren Flaata
❖ Maintenance	George Kovach
❖ Grain Administrator	Jill Beaudry
❖ Assistant Grain Administrator	Rachelle Anholt
❖ CPS Administrator	Cindy Herriges
❖ Part-time/Seasonal	Kevin Poole
	Cody Hanson
	Linsey Smith



**Present term as Director  
2005-2007**

**Fred Draude** has farmed in the Naicam area for the past 31 years, first with his father and now his brother. He is employed in the Insurance & Real Estate industry with Rumberger Agencies for the past 11 years. He was very involved in Minor Hockey, the Fire Department, Town Council and for the past 11 years as been the treasurer for the Lions Club. Fred was involved with the terminal since the idea was conceived in December 1997. He was instrumental in the negotiations with the grain companies and CPR. He was on the sales team that sold \$2.1 million of shares. Fred is currently the President and Chairman of CMI Ltd., and has served on the Management Committee since May of 1999. Fred and his wife Lorna have two children Michelle and Mitchell and two grandchildren Paige & Claire Daubenfeld.

“I want to stay involved to help ensure the profitability of the company and return dividends whenever possible to the share holders. We have a good group of employees that make our jobs easier.”



**Present term as Director  
2005-2007**

**David Nystuen** is a lifetime resident of the Spalding/Naicam farming communities. He received a Diploma in Agriculture from the University of Saskatchewan in 1983. Since then he has helped operate and eventually assumed management of Golden Acres Seed Farm. He currently is a director on the Spalding Credit Union and CMI. David was elected secretary of CMI Terminal in January 2002 to present. David lives on his farm with his wife Ester and five children.



**Present Term as Director  
2005-2007**

**Allan Stuckel** was raised on the family farm 8 miles N.E. of Lake Lenore. He graduated from St. Peters College in 1960. He was employed at the Humboldt Flour Mills for 6 years, working in accounting, shipping and receiving. In 1963 he married Penny Lung of Verndale and took over the family farm in 1966 to present day. Allan and Penny have 4 children and 5 grandchildren. He served as a member of the Lake Lenore Lions Club for many years, President in 1984, Director of the UGG in Lake Lenore until its close. Currently serves on the Lake Lenore Co-op Board of Directors, Reeve of the R.M. of Lake Lenore 399 and Vice-President of Humboldt Water Rate Review Board. Formerly a director of the S.H.L. Pipeline Association and the REACT Waste Management Authority. In 2003, Allan became a Director of CMI Terminal. In October 2004 they moved to Humboldt with the golf course as their back yard, so this may be in his future recreation plans. He is currently farming Stuckel Farms as a 3<sup>rd</sup> generation farmer.



**Les Sarauer** resides in Humboldt and farms together with his father Roman and his son Ken in the St. James district west of Naicam. He is presently Chairman of the Board of Directors for the Lake Lenore Seed Cleaning Coop. Les also serves on the Area Authority for the St. Peter's C & D. Les has just completed his 32<sup>nd</sup> harvest and has seen many changes in the industry. Les' farm operation has gone from a 1/3 summer fallow where it was the blacker the better to a continuous cropping system, where one pass does it all. Since the opening of CMI Terminal, Les is proud to say he has a modern state of the art facility that has given him a shorter haul than ever. This is one thing that not many producers can say and Les will continue working as a director to ensure its success.

**Present Term as Director  
2006-2008**



**Larry Mortenson** was born in Spalding. He attended primary and secondary school in Spalding and graduated at LCBI Outlook, SK. Larry attended University for two years studying Education at Camrose, AB and two years at the U of S receiving a diploma in agriculture in 1975. Larry farmed actively from 1973 to 1994 and operated his own soil testing business for 12 years. He started working for F.P. Bourgault Tillage Tools Ltd., in January of 1994 as Head Shipper/Receiver. In 1998 he was promoted to Eastern Territory Sales Manager and presently Western Territory Sales Manager. Larry travels extensively in three Western provinces and four States promoting tillage products to farms and the Bourgault dealership network. Larry presently resides in Naicam with wife Beverly. They have two daughters and one son.

**Present Term as Director  
2006-2008**



**Present Term as Director  
2007-2009**

**Mark Fohse** was born and raised in Spalding where he graduated from Spalding High in 1984. He began operating a mixed farm operation of cattle and grain with his father, Norman. His current operation consists of 1,500 acres of grain and 270 head of cattle.

Mark was a board member of the Spalding Coop for 10 years, serving 3 years as President. He also served on the Sask Wheat Pool Committee. Mark is a member of the Spalding Volunteer Fire Department. He enjoys many extra curricular activities including hunting, fishing and golfing. Hockey was a past activity that he enjoyed; however, he now focuses on curling and volunteering at the Spalding Curling Club.

Mark believes in the future of the family farm and looks forward to participating in a structure that supports the same.



**Present term as Director  
2007-2009**

**Regan Crone** was born on Dec. 27, 1979 and grew up on his parent's (Erwin & Rita Crone) farm west of Spalding. He attended school in Spalding until eighth grade and completed his schooling in Naicam, where he graduated in 1997 and spent the following year at Doepker Industries. In the fall of 1998 Regan moved to Lethbridge, Alberta to attend Lethbridge Community College. There he received a diploma in Agriculture Technology and furthered his post secondary education at the University of Lethbridge obtaining a degree in Agriculture in the spring of 2003.

Regan purchased a house in Spalding and began farming with his dad along with full time employment at CMI Terminal in the fall of 2003. He began working in the Operations Department as well as selling seed in anticipation for CMI's new Ag Inputs division. In the spring of 2005 CMI Terminal officially opened its Ag Input Division where he developed the role of Seed Manager/Sales. In April of 2006 he decided to leave CMI and pursue farming full time, where he operates a 4,000 acre farm.

Regan and his wife Karyn were married on December 18<sup>th</sup>, 2004 and they currently live in Spalding with their daughter Claire Emma who was born August 22, 2006. Regan looks forward to the future of agriculture where he sees it taking a vital role in health and environmental issues.



CMI Terminal Ltd.  
P. O. Box 43  
Naicam, Saskatchewan S0K 2Z0  
Phone (306) 872-2777, Fax (306) 872-2778

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**To the shareholders of CMI Terminal Ltd.**

CMI Terminal Ltd. has reached the end of its 6th year of operations. CMI's 8th annual shareholders' meeting is to be held on the **21st day of March 2007 at 5:00 p.m.** at the **Naicam Town Hall**, Naicam, Saskatchewan.

The annual meeting must comply with requirements set by Saskatchewan legislation. The enclosed package enables CMI Terminal Ltd. to meet these requirements. It is important that you read the enclosed documents. **Please bring this information with you.**

**To assist you with these documents, the following overview has been prepared:**

1. The official **Notice of the Annual Meeting** giving the date, time and location of the meetings.
2. The **Information Circular** has been prepared by the board and management committee of CMI Terminal Ltd., to provide additional information to shareholders on the business to be conducted at the annual meeting. It includes information regarding business affairs, share structure and election of directors. The shareholders must appoint an auditor for the upcoming year, and this is also covered in the circular.
3. The form of **Proxy** enclosed is for use at the Annual Meeting and serves two purposes:
  - a. First, it allows any shareholder that will not be able to attend the meeting to designate an individual who will be in attendance at the meeting to vote their shares. For your convenience the proxy indicates two officers of CMI who would be willing to act as your proxy. If you will not be able to attend the meeting, please complete, date, and sign the proxy and **return the completed proxy to CMI Terminal Ltd. by the close of business on March 20th, 2007.** If you are not able to attend, please take the time to fill out and return your proxy, as it is important that we have a quorum (enough shares present) in attendance in order to hold the meeting.
  - b. In the case of shares held in a company's name, the company must designate an individual who will be in attendance at the meeting and who is authorized to vote the shares of the company. In order for such corporate shareholder to vote its shares at the annual meeting of shareholders, please insert the name of the person who will vote such shares on the Proxy. Have the proxy signed and sealed by the signing officers of the company, and **return the completed proxy to the CMI Terminal Ltd. office by the close of business on March 20th, 2007.** This step is necessary, even if the corporate designate will be attending.
4. The **Audited Financial Statements of CMI Terminal Ltd., and Audited Financial Statements of CMI Terminal Joint Venture** together with management's discussion and analysis of such financial statements have been enclosed.

5. In addition to the forgoing, we have enclosed a Request for Interim Financial Statements Return Card. We know how busy you are, and accordingly we do not wish to send you information about CMI Terminal Ltd., that you have no desire to receive. If you wish to receive the semi-annual unaudited financial statements of CMI Terminal Ltd., please sign and return the enclosed mailing list return card to CMI. If the Return Card is not signed and returned to CMI you will only receive annual information from CMI, although semi-annual information is available through the securities regulator website: [www.sedar.com](http://www.sedar.com).

**The Annual Shareholder's Meeting is your opportunity to participate in the direction of CMI Terminal Ltd.**

**Thank You!**

**CMI TERMINAL LTD.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** the **8th** Annual Meeting of the Shareholders of CMI Terminal Ltd. ("CMI") will be held on the **21st day of March, 2007 at 5:00 p.m.**, Saskatchewan time, at the **Naicam Town Hall**, in the **Town of Naicam**, Saskatchewan, for the following purposes:

1. To convene the meeting and to discuss the meeting procedures;
2. To receive a report from the board of directors on the general business affairs of CMI, and a short presentation from Norman Fodness on behalf of Agricore United;
3. To receive a report from management and the auditor on the Audited Financial Statement of CMI for its fiscal year ended October 31, 2006;
4. To elect 4 directors to the board of directors of CMI;
5. To consider approval of an Ordinary Resolution appointing Meyers Norris Penny, Chartered Accountants, Melfort, Saskatchewan as the auditors of CMI to hold office until the next Annual Meeting of the Shareholders;
6. To transact such further and other business of CMI as may properly come before the meeting.

**Accompanying this Notice of Annual Meeting you will find the following:**

1. An Information Circular which reviews the Agenda items; and
2. Form of Proxy to be completed in the event that you are a corporation or do not intend to be present at the Annual Meeting of Shareholders.
3. The Audited Financial Statements of CMI Terminal Ltd. and Audited Financial Statements of CMI Terminal Joint Venture for the year ended October 31, 2006, together with Management's discussion and analysis of such financial statements.

Dated this 2nd day of February 2007.

**By Order of the Board**

Signed "David Nystuen"  
**David Nystuen, Secretary**

**NOTES:** Shareholders who are unable to be present personally at the meeting are requested to sign and return the accompanying proxy forms for use at the meeting. The proxy may be presented at or returned to CMI Terminal Ltd., whose mailing address is P.O. Box 43, Naicam, Saskatchewan, S0K 2Z0. If this proxy is to be returned to CMI Terminal Ltd., it must be received at such office at the close of business March 20<sup>th</sup>, 2007. Instruments appointing proxies, which are not so received, may not be voted at the meeting.

**CMI TERMINAL LTD.**  
**INFORMATION CIRCULAR**

**FOR THE EIGHTH ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON MARCH 21, 2007**

**DATED: FEBRUARY 2, 2007**

**MANAGEMENT PROXY SOLICITATION**

This Information Circular is provided in connection with the solicitation of proxies by the board of directors for use at the Annual Meeting of the Shareholders of CMI Terminal Ltd. ("CMI") to be held on the **21st day of March 2007, at 5:00 p.m.**, at the **Naicam Town Hall** in the Town of Naicam, Saskatchewan, for the purposes set out in the preceding Notice of Meeting.

The directors expect that the solicitation of proxies will be made primarily by mail, but proxies may also be solicited personally at nominal cost. The cost of the solicitation of proxies will be borne by CMI.

**VOTING OF PROXIES**

The form of proxy forwarded to Shareholders with the Notice of Meeting gives discretionary authority to the proxy nominees with respect to amendments or variations of matters identified in the Notice of Meeting or other matters, which may properly come before the meeting. The form of proxy gives each Shareholder an opportunity to specify his or her shares to be voted for or against the motions therein specified.

In respect of a proxy in which a Shareholder has not instructed his or her proxy nominees to vote for or against a motion, the shares represented by such proxy will be voted in favour of that motion.

In respect of the election of directors, in the absence of instructions in the proxy, the proxy will be voted at the discretion of the person named therein, subject to those restrictions placed upon management persons designated by such proxy to represent the Shareholder.

The Board of CMI knows of no matters to come before the meeting other than the matters referred to in the foregoing Notice of Meeting. However, if any other matters should properly come before the meeting, the shares represented by proxies in favour of a proxy nominee will be voted on such matters in accordance with the best judgement of such proxy nominee.



## **REVOCATION OF PROXY**

Proxies given by Shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the Shareholder or by her or his attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either:

- a) at the registered office of CMI at any time up to and including the close of business on March 20th, 2007 (being the last business day before the date of the Annual Meeting) or up to and including the close of business on the last business day preceding any adjournment thereof, at which the proxy is to be used; or
- b) with the Chairman of the Annual Meeting, or any adjournment thereof, on the day of the Annual Meeting or any adjustment thereof.

The registered office of CMI is located at: #6 Highway, P.O. Box 43, Naicam, Saskatchewan, S0K 2Z0.

## **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The authorized capital of CMI consists of an unlimited number of Class "A" voting shares, of which 22,910 Class "A" Shares, held in the aggregate by 236 Class "A" Shareholders, are issued and outstanding as fully paid and non-assessable as at CMI's fiscal year end of October 31, 2006. CMI has not issued options or warrants or any other securities capable of being converted into CMI shares.

**Holders of Class "A" shares are entitled to one (1) vote per share at the Annual Meeting on all matters coming before the Shareholders at that Annual Meeting.**

The record date as of which the Shareholders entitled to vote at the meeting is at the close of business on the day immediately preceding the day on which the Notice of Meeting is given.

The following persons exercise control or direction over ten (10%) percent or more of the issued and outstanding voting securities of CMI:

<b>Name</b>	<b>Class "A" Shares Held</b>	<b>Percentage of Total Class "A" Shares</b>
<b>Gundy Co. C/O CIBC World Markets 161 Bay St., 10<sup>th</sup> Floor Toronto, ON M5J 2S8</b>	<b>5,460</b>	<b>24%</b>

Gundy Co. is the trustee of 50 Self-Directed Retirement Savings Plans, which, in the aggregate, comprise the total number of shares held by Gundy Co. Gundy Co. has provided written authorization to CMI permitting each Annuitant to vote the shares held by Gundy Co. to which such Annuitant is beneficially entitled. This same authorization has been provided by all other self-directed retirement plan trust companies, which hold shares of CMI.

There are no shares in the capital stock of the Corporation issued or outstanding save and except for the issued shares referred to herein.

### **CONSIDERATION OF FINANCIAL STATEMENTS**

A copy of the Audited Financial Statements of CMI for its year ended October 31, 2006, prepared by Meyers Norris Penny LLP, Chartered Accountants, will be provided to each Shareholder together with the Management Discussion and Analysis Report. The directors of CMI have approved the Audited Financial Statements in form and content.

The auditors of CMI, Meyers Norris Penny LLP, will present the Audited Financial Statements of CMI to the shareholders and will be in attendance at the Annual Meeting to answer any questions of the Shareholders arising out of the Audited Financial Statements.

### **ELECTION OF DIRECTORS**

There are seven (7) directors on the Board of Directors of CMI. The following persons are the present directors of CMI and have served as board members from the dates indicated. Each director is elected for a two year rotating term. A retiring director is eligible for re-election.

<b>Name</b>	<b>Province and Country of Residence</b>	<b>Position with Corporation</b>	<b>Present Occupation, Name and principal business of company that Director is employed with.</b>	<b>When a Director</b>	<b>Voting Shares of CMI owned directly or indirectly</b>
Fred Draude 2, 3, 4, 5	Saskatchewan, Canada	President and Chairman	Farmer,	1998 to 2007	380
Allan Stuckel <sup>1</sup>	Saskatchewan, Canada	Director	Farmer,	2003 to 2007	50
Larry Mortenson	Saskatchewan, Canada	Director	Territory Sales Manager, Bourgault Tillage Tools Ltd.	2004 to 2006	100
David Nystuen 2,3,4,5	Saskatchewan, Canada	Secretary	Farmer,	2001 to 2007	100
Leslie Sarauer 1, 3,5	Saskatchewan, Canada	Director	Farmer,	2002 to 2006	100
Regan Crone	Saskatchewan, Canada	Director	Farmer	2007 to 2009	0
Mark Fohhse	Saskatchewan, Canada	Director	Farmer	2007 to 2009	50

<sup>1</sup> Investment Committee Members

<sup>2</sup> Estate Transfer Committee Members (Jacqueline Buhs, controller of CMI, is also a member of the Estate Transfer Committee)

<sup>3</sup> Management Committee Members

<sup>4</sup> Share Transfer Committee Members (Jacqueline Buhs, controller of CMI, is also a member of the Estate Transfer Committee)

<sup>5</sup> Audit Committee

Larry Mortenson and Leslie Sarauer's terms are ending December 31, 2006 and each has volunteered to let his name stand for another two year term. Robert Junk resigned from the board of directors effective January 18, 2007 and Erwin Crone passed away on February 28, 2006 leaving two additional positions open on the board of directors. The board of directors recommends that Regan Crone and Mark Fohse are the best candidates for the open positions.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No directors or officers of CMI were indebted to CMI as of October 31, 2006.

### **STATEMENT OF EXECUTIVE COMPENSATION**

CMI has no "named executive officers" as that term is defined in Form 51-102F6, "Statement of Executive Compensation" and for the purposes of National Instrument 51-102, "Continuous Disclosure Obligations".

In addition, CMI has no long-term incentive plans, stock-option plans, securities outstanding under options ("SUOs"), stock appreciation rights ("SARs"), pension benefit plans or other "plans" (as that term is defined in Form 51-102F6 and for the purposes of National Instrument 51-102).

### **Compensation of Directors**

Members of the Board of Directors receive an executive compensation per diem at a rate of \$25.00 per hour. Executive and Management Committee Members of CMI Ltd., are paid at a rate of \$25.00 per hour and are reimbursed for any approved out of pocket expenses for time spent at meetings pertaining to business conducted by them on behalf of CMI. A board member also receives \$1,500.00 Honorarium each per year. The total amount of compensation received by all directors for the fiscal year ended October 31, 2006 was \$9,987.50.

### **Indemnification of Directors**

In addition to the foregoing, CMI has in place a policy of indemnifying directors and officers, subject to certain exceptions, for any costs, charges and expenses, including any amount paid to settle an action or satisfy a judgement, reasonably incurred by him in respect of any civil, criminal, or administrative action or proceeding to which he is made a party by reason of being or having been a Director and/or Officer of CMI. With respect to the purchase of Directors' and Officers' Liability Insurance, the policy states that such insurance shall be purchased in such amounts and on such terms, having regard to insurance premiums and coverage, as the Board of Directors considers appropriate from time to time.

## **CORPORATE GOVERNANCE DISCLOSURE**

### **1. Board of Directors**

All directors are independent of CMI. The Board of Directors exercises independent supervision over management by meeting as a board regularly and at such meetings receiving a report from Management. Any areas of concern expressed by the Board are typically followed up personally by the Chairman of the Board and/or the Board member who expressed the concern.

### **2. Directorships**

No directors are presently a director of any other issuer that is a reporting issuer.

### **3. Orientation and Continuing Education**

The Board of Directors has developed protocols for the orientation of new board members and the continuing education of current board members. The purpose of the protocol is to ensure that all new directors fully understand the role of the Board and its committees and the contribution individual directors are expected to make. The protocols identify and facilitate continuing education opportunities for all directors so that individual directors may maintain and enhance their skills and abilities. The protocol further ensures the directors' knowledge and understanding of CMI's business remains current.

### **4. Ethical Business Conduct**

The Board of Directors has adopted a Code of Ethical Business Conduct, a copy of which has been filed with applicable security regulators and is posted on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **5. Nomination of Directors**

The Board of Directors have developed protocols to identify and recommend candidates for election at annual shareholder meetings and to identify and recommend candidates to fill vacancies occurring between annual shareholder meetings. These protocols will build on the principals advocated by the shareholders at prior annual general meetings that any interested shareholder should have the ability to put their name forward for nomination to the Board of Directors of CMI.

### **6. Compensation**

CMI annually conducts a survey of other members of the Inland Terminal Association of Canada ("ITAC") to determine the levels of compensation paid to the Board of Directors by such ITAC members. This information is then compiled and presented to the Board of Directors annually, from which the full Board determines the compensation that CMI will pay to its Directors.



## 7. Other Board Committees

- (a) **Management Committee:** The Management Committee is comprised of three independent directors of CMI and three nominee representatives of Agricore United. The Management Committee is established pursuant to the terms of the Joint Venture Agreement entered into with Agricore United and manages the business and affairs of CMI Terminal Joint Venture.
- (b) **Investment Committee:** The Investment Committee is comprised of two independent directors of the Board of Directors, and its mandate is to identify, and recommend to the full Board of Directors, short term investments for surplus cash of CMI.
- (c) **Share Transfer Committee:** The Share Transfer Committee is comprised of two independent directors and the Controller of CMI, and is delegated the authority for and on behalf of the full Board of Directors, to approve share transfers requested by shareholders and to issue new share certificates of CMI in accordance with such transfers.
- (d) **Estate Transfer Committee:** The Estate Transfer Committee is comprised of two independent directors and the controller of CMI, and is delegated the authority, for and on behalf of the full Board of Directors, to approve share transfers from estates of deceased shareholders to their beneficiaries and to issue new share certificates of CMI in accordance with such transfers.

## 8. Assessments

While the Board of Directors has no formal process to satisfy itself that its Board, its committees and its individual directors are performing effectively, the Board of Directors and its committees meet regularly and informally assess the effectiveness of the Board, its committees and its individual directors.

### **APPOINTMENT OF AUDITOR**

Meyers Norris Penny LLP, Chartered Accountants, 609 Main Street, P. O. Box 2020, Melfort, Saskatchewan S0E 1A0, has been the auditor of CMI since its inception, and has prepared the Audited Financial Statements for CMI for the year ending October 31, 2006, which are attached to the Notice of Annual Meeting.

The board of CMI recommends the approval by the Shareholders of an Ordinary Resolution appointing Meyers Norris Penny LLP to be the auditors of CMI to hold office until the next Annual Meeting of the Shareholders.

### **ADDITIONAL INFORMATION**

Additional information relating to CMI is on SEDAR at [www.sedar.com](http://www.sedar.com).

## **APPROVAL OF INFORMATION CIRCULAR**

The contents of this Information Circular and the sending thereof to the Shareholders have been approved by the board of directors of CMI Terminal Ltd. at their regular board meeting held on February 2, 2007.

Dated at Naicam, Saskatchewan, this 2<sup>nd</sup> day of February 2007.

By Order of the Board of Directors of  
CMI Terminal Ltd.

Signed by "David Nystuen"  
**David Nystuen, Secretary**

**CMI TERMINAL LTD.**



**CMI TERMINAL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Abbreviation MD & A)*

**FOR THE 15 MONTHS ENDING  
OCTOBER 31, 2006**

**Dated February 2, 2007**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*The financial data in this discussion and analysis has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), unless otherwise stated, and is in Canadian dollars. This discussion and analysis should be read in conjunction with the Company's financial statements that appear immediately following this discussion and analysis. In December 2005 CMI Terminal ("the Company") changed their fiscal year end from July 31<sup>st</sup> to October 31<sup>st</sup>. The change allowed the company to align financial reporting with the co-venturer, Agricore United. As a result it is important to note that the 2006 data represents fifteen months and the data for previous fiscal years represent twelve months.*

### **1. OVERVIEW:**

CMI Terminal Ltd. (the "Company") is a producer group based out of Naicam and Spalding, Saskatchewan, which was formed in June 1998. CMI Terminal Ltd. is a 50% co-venturer with Agricore United ("AU") in CMI Terminal Joint Venture ("CMI JV"). CMI Terminal Joint Venture is an 18,000 tonne inland grain terminal.

The Company's business consists of its 50% interest in CMI Terminal Joint Venture. The Joint Venture has been in operation since September 2000. Revenue of the Joint Venture is generated primarily from the handling and elevation of grains and oilseeds purchased by Agricore United. Agricore United purchases grains and oilseeds directly from farmers and is responsible for the marketing and selling of all such products that are not sold under the legislated single-desk selling system of the Canadian Wheat Board ("CWB"). The Joint Venture recognizes revenue when grain cars/trucks are loaded at the terminal. The Joint Venture accrues the revenue on cars in transit. Agricore United pays the Joint Venture when the cars/trucks are unloaded at their destination. In addition to its grain handling business, the Joint Venture has now been in the Ag Sales and Service business since December of 2004. This division of CMI JV is well positioned to offer a total service package. CMI JV offers NH<sub>3</sub>, liquid and dry fertilizer along with a full line of crop protection products. Financing is also available on all products through AU Financial.

### **2. SELECTED ANNUAL INFORMATION:**

The Company's consolidated financial statements include the accounts of CMI Terminal Ltd. and its fifty percent (50%) proportionate share of the accounts of its joint venture interest in CMI Terminal Joint Venture. Under this method, the Company includes in its accounts its fifty percent (50%) share of the assets, liabilities, revenues and expenses of the Joint Venture. The following table summarizes the Company's operating results for the fiscal years ended October 31, 2006, and July 31, 2005 respectively.

	<b>Oct 31, 2006</b>	<b>July 31, 2005</b>	<b>Better (Worse)</b>
Sales	\$3,973,364	\$2,301,654	\$1,671,710
Cost of Sales	\$1,553,593	\$1,001,389	\$ (552,204)
Gross Profit	\$2,419,771	\$1,300,265	\$1,119,506
Other Income	\$ 42,984	\$ 11,269	\$ 31,715
Expenses			
Administrative	\$ 224,872	\$ 167,828	\$ (57,044)
Operating Expense (excluding amortization and interest)	\$1,109,931	\$ 694,659	\$ (415,272)
Amortization	\$ 383,822	\$ 310,293	\$ (73,529)
Interest	\$ 165,977	\$ 146,211	\$ (19,766)
Total	\$1,884,602	\$1,318,991	\$ (565,611)
Earnings (loss) before income taxes	\$ 578,153	(\$ 7,457)	\$ 585,610
Earnings (loss) per common share (1)	\$20.619	(\$0.300)	\$15.41



	<b>October 31, 2006</b>	<b>July 31, 2005</b>	<b>July 31, 2004</b>
Total Assets	\$4,833,697	\$4,870,670	\$5,002,839
Total Liabilities	\$2,182,761	\$2,577,054	\$2,588,123

Notes:

1) Basic earnings per share are calculated using the weighted number of shares outstanding during the year.

### **GRAIN SHIPPED COMPARISON**

<b>Commodity</b>	<b>2005-2006 (15 month)</b>	<b>2004 – 2005 (12 month)</b>	<b>Comparison Increase (Decrease)</b>
<b>CWB Barley</b>	62,813	17,953	44,860
<b>CWB Wheat</b>	53,284	22,267	31,017
<b>Malt Barley</b>	7,772	27,171	(19,399)
<b>TOTAL CWB Grains</b>	<b>123,869</b>	<b>67,391</b>	<b>56,478</b>
<b>NBF Wheat</b>	18,660	9,460	9,200
<b>NBF Barley</b>	34,322	43,018	(8,696)
<b>Oats</b>	3,810	1,542	2,268
<b>Peas</b>	2,658	15,719	(13,061)
<b>Linola</b>	148	0	148
<b>Canola</b>	65,787	12,253	53,534
<b>Flax</b>	664	2,336	(1,672)
<b>Misc</b>	351	408	(57)
<b>Total NB Grains</b>	<b>126,400</b>	<b>84,736</b>	<b>41,664</b>
<b>Total</b>	<b>250,269</b>	<b>152,127</b>	<b>98,142</b>

The total tonnes shipped as of October 31, 2006 has increased 98,142 as compared with the period ending July 31, 2005 in the previous year. This was a direct result of increased shipping opportunities for CWB Barley, CWB Wheat and Canola due to the availability of larger volumes and quality.

CWB shipments had a combined increase of 56,478 tonnes compared to the period ending July 31, 2005. This increase was due to increases in barley and wheat shipments of 44,860 and 31,017 tonnes, respectively, and a decrease in malt barley shipments of 19,399 tonnes due to poor selection rate as a result of adverse weather at harvest.

CMI Terminal shipments of non-board grains were 126,400 tonnes which is an increase of 41,664 as compared to the July 31<sup>st</sup> period last year. Canola realized an increase of 53,534 tonnes. Peas realized a decrease due to poor quality and lack of sales opportunities, and barley also realized a decrease due to a shift to CWB.

### **3. SHARE DIVIDEND RECORD**

<b>Applicable Fiscal Year</b>	<b>Date Dividend Declared</b>	<b>Total Dividend</b>	<b>Dividend Per Share</b>
<b>2001-2002</b>	<b>Oct 30, 2001</b>	<b>\$114,550.00</b>	<b>\$50.00</b>
<b>2002-2003</b>		<b>0</b>	<b>0</b>
<b>2003-2004</b>		<b>0</b>	<b>0</b>
<b>2004-2005</b>	<b>Nov 9, 2004</b>	<b>\$114,050.00</b>	<b>\$5.00</b>
<b>2005-2006</b>	<b>Oct 27, 2005</b>	<b>\$115,050.00</b>	<b>\$5.00</b>
<b>2006-2007</b>	<b>Dec 8, 2006</b>	<b>\$131,732.50</b>	<b>\$5.75</b>

Notes:

- 1) 2001-2002 A dividend was declared on October 30, 2001 to Class "A" and "B" shareholders. This dividend was based on 2291 shares issued and outstanding.
- 2) 2004-2005 A dividend was declared on November 9, 2004 to Class "A" Shareholders. This dividend was based on 22,910 shares issued and outstanding.
- 3) 2005-2006 A dividend was declared on October 27, 2005 to Class "A" Shareholders. This dividend was based on 22, 910 shares issued and outstanding.
- 4) 2006-2007 A dividend was declared on December 8, 2006 to Class "A" Shareholders. This dividend was based on 22,910 shares issued and outstanding.
- 5) A share split occurred on November 29, 2001, at a ratio of 10:1; accordingly, the aggregate dividend declared in 2004-2005 and 2005-2006 is the same as that declared in 2001-2002, but the per share dividend is reduced by a factor of 10.

#### **4. RESULTS OF OPERATIONS**

The Company reported earnings before income taxes for the period ending October 31, 2006 of \$578,153 on total sales of \$3,973,364, cost of sales of \$1,553,593 and total expenses of \$1,884,602 in comparison to a net loss of earnings for the fiscal 2005 year ending July 31, 2005 of (\$7,454) on total sales of \$2,301,654, cost of sales of \$1,001,389 and total expenses of \$1,318,990.

The Company's pre-tax expenses in fiscal 2006 totaled \$1,884,602. All of these expenses relate directly to the operation of the grain terminal including a small portion of expenses related to administrative costs of operating the Company. The expenses are comprised of the following four components:

- **Administrative expenses**, consisting of advertising, director fees, office expenses, professional fees, training and travel totaled \$224,872.
- **Operating expenses**, consisting of insurance, property taxes, rent, repairs and maintenance, utilities and wages totaled \$1,109,931.
- **Amortization**, The Company's property, plant and equipment are amortized using the declining balance method at rates between 4% and 30%. These rates are intended to amortize the cost of the assets over their estimated useful lives. In addition, the Company is amortizing the costs associated with the organization of the Company. These costs are being amortized over a five-year period.
- **Interest on long term debt**, The Company's 50% share of the Joint Venture's long-term debt is as follows:
  - Term loan of \$1,857,205 bearing interest fixed at 5.80% until October 2007; this loan is to be re-negotiated at that time.
  - Term loan of \$180,000, bearing interest at prime plus 1.25%, due 2009.
  - Automotive term loan of \$21,382 bearing 0% interest, due 2009
  - Automotive term loan of \$19,255, bearing interest at 5.90%, due 2010.

#### **5. SUMMARY OF SEMI-ANNUAL RESULTS**

<b>INTERIM REPORTS</b>	<b>July 31, 2006</b>	<b>Jan 31, 2006</b>	<b>July 31, 2005</b>	<b>Jan 31, 2005</b>
Revenues	<b>3,382,209</b>	<b>1,653,502</b>	<b>2,312,925</b>	<b>670,348</b>
Net Earnings	<b>464,244</b>	<b>342,986</b>	<b>(7,051)</b>	<b>16,286</b>
Earnings per share	<b>20.260</b>	<b>14.971</b>	<b>(0.300)</b>	<b>0.711</b>

Notes:

1. The Company did not discontinue any operations and had no extraordinary revenues or expenses during the year.
2. The Company has no stock options or similar plans, no securities convertible into shares and no obligations to issue any shares in the future such that the outstanding shares of the Company are the same on a non-diluted and fully diluted basis.
3. Pursuant to General Ruling Order 51-906 *Exemption from Certain Continuous Disclosure Requirements under National Instrument 51-102* the Company is exempted from the requirement in subsection 4.3(1) of NI 51-102 to file interim financial statements for each of the first and third quarters of its financial years.

## **6. LIQUIDITY AND CAPITAL RESOURCES**

The revenues from grain handling depend significantly on the volumes of grain that are available from producers. It is expected that the volumes for 2007 will be such that sufficient revenue will be generated to meet all expenditures. At the end of fiscal 2006, the Company has sufficient cash reserves to meet all operating expenses and commitments for the coming year. The Company's operating and administrative expenses have been consistent over the past few fiscal years and management is unaware of any factors that would cause these to change significantly. The operating ratios and related debt covenants for the Joint Venture (of which the Company's proportionate share is fifty percent) are as follows:

	<b><u>Oct 31</u></b> <b><u>2006</u></b>	<b><u>July 31</u></b> <b><u>2005</u></b>	<b><u>Bank Covenant</u></b>
Ratio of current assets to current liabilities	1.87	1.02	1.00
Ratio of debt to tangible net worth	.93	1.35	3.00
Earnings before interest, taxes, depreciation and amortization to interest expense plus current portion of Long Term Debt	2.50	1.10	1.40
Tangible net worth	\$4,658,972	\$3,805,716	\$2,800,000

**Note: Bank Covenant**

1) This is the ratio that the Company has agreed to maintain for the bank.

The Company's Statement of Earnings and Retained Earnings for fiscal 2006 includes provisions for current income tax expense of \$68,061 and future income taxes of \$37,722. The Company's Balance Sheet includes current taxes payable of \$1,102. The Company recognizes future income tax liabilities for the expected future tax consequences of differences between the carrying amount of balance sheet items and their related tax values and future income tax benefits from the carry-forward of unused income tax losses. The Company calculates future income taxes using the enacted corporate income tax rates for the years in which the differences are expected to reverse. The Company's effective income tax rate approximates 18% on active income conducted in Saskatchewan up to \$300,000 and 38% on income thereafter. The Company has income tax losses of \$38,155, which are available to offset income for tax purposes in the future. These losses expire in fiscal 2010. During fiscal 2006, it was management's decision to carry these losses forward to future years and fully utilize the 18% tax bracket in fiscal 2006. This strategy will maximize net earnings after income taxes in that more income will be taxed at the 18% level as compared to paying income taxes at the higher 38% in fiscal 2006.

<b>Contractual Obligations</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Long Term Debt Principal Repayments	243,897	242,931	238,852
Ag Division Debt Repayments	60,000	60,000	60,000
<b>Total</b>	<b>303,897</b>	<b>302,931</b>	<b>298,852</b>

**Note:**

There were no direct or contingent liabilities, unusual contractual obligations or any substantial commitments, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the Company, except as disclosed in the financial statements. CMI Terminal Ltd. is 50% responsible for any purchase obligations. The Joint Venture forward prices grain and are responsible for any outstanding deferred delivery contracts.

### **a) Working Capital**

Current assets were \$1,058,026 for the Company for the period ending October 31, 2006, which is an increase of \$235,045 as compared with the July 31, 2005 fiscal year.

Current liabilities were \$385,643 for the period ending October 31, 2006, which is a decrease of \$(57,068) as compared with the July 31, 2005 fiscal year.

Working capital was \$672,383 for the period ending October 31, 2006 compared to \$380,270 for the July 31, 2005 fiscal year.

### **b) Cash Flow**

Cash flow from continuing operations was \$889,691 for the 15 months ending October 31, 2006. At the end of the previous fiscal year, the Company's cash flow from continuing operations was \$587,621, which is an increase of \$302,070 which is mainly due to higher net earnings for the 15 month period.

## **7. AG SALES AND SERVICES BUSINESS**

CMI Terminal JV has now integrated its Ag Sales and Services business into its operation. CMI JV operates a 1200 tonne volumetric dry fertilizer blender, which is complimented with 600 tonnes of on site storage. CMI Terminal JV also has a 2400 square foot certified chemical storage facility, and a 700 metric tonne bulk seed storage facility. Retail credit is supplied through a user agreement with AU financial. Agricore United through a supply agreement with CMI Terminal JV also is the sole supplier of Ag products. CMI Terminal offers the following products for sale at their location: dry fertilizer, chemical, liquid fertilizer, NH<sub>3</sub>, bulk and bagged seed.

CMI Terminal JV has completed its first full year of selling chemical, fertilizer and seed. Aggressive targets were set for the year. Throughout the winter and early spring, bookings were largely on target in comparison to the budget. Unfortunately, extreme weather in the Spring resulted in significant unseeded acres. Further acres that were seeded drowned out and were lost. Much of the crop that did survive was in poor condition and was treated with low cost crop protection products if it was treated at all. Consecutive years of poor crops have made cash flow and credit very tight for producers. Adequate credit levels for producers are difficult if not impossible to put in place for most producers. These factors resulted in only a small increase in gross sales from 2005 to 2006. To take a positive out of the year, CMI JV did gain market share and increase its customer base.

## **8. OUTSTANDING SHARE DATA**

The Company's authorized share capital consists of an unlimited number of Class A voting common shares, an unlimited number of Class B non-voting common shares, an unlimited number of Class C non-voting preferred shares and an unlimited number of Class D non-voting preferred shares. The number of shares issued at each of October 31, 2006, July 31, 2006, July 31, 2005 and July 31, 2004 was 22,910 Class A voting common shares. No shares were issued during fiscal 2006. The Company has not issued any options, warrants or any other securities capable of being converted into the Company's shares.

## **9. RISKS**

The Company faces certain risks, including weather, commodity price and credit. The Company manages these risks through a combination of insurance and good operating practices.

### **a) Weather Risks**

The effects of weather conditions in a relatively confined geographic market area present a significant operating risk for the Company. Poor weather conditions can have a materially adverse effect on grain handling volumes, the production quality and the sale of crop inputs.

### **b) Commodity Grade Risks**

The Company faces the risk of maintaining the quality between the time the grain is purchased and the time it is shipped and unloaded. The quality of the grain can be compromised prior to grain delivery by insect infestation and inadequate producer storage facilities that can result in rodent and wildlife damage.

### **c) Commodity Price Risks**

CWB grains are comprised of durum, wheat and malt barley which all fall under the jurisdiction of the CWB. The CWB is a government agency which regulates and determines CWB commodity prices. Consequently, risk is minimized through the terms and formal legal agreements between the Company as a handling agent and the CWB. The arrangements provide for full reimbursement of the amounts owed at prices regulated and guaranteed by the CWB supported by the Government of Canada. The Company may be exposed to potential buying and handling risk in the form of losses in grades and physical tonnage due to processing.

### **d) Credit Risks**

The Company also is exposed to credit risk in relation to credit provided to customers that purchase non-CWB grains. Defaults by these customers could have a materially adverse effect on the financial results of the Company. The Company also is exposed to credit risk in relation to credit provided to customers that purchase crop protection services.

## **10. CHANGES IN ACCOUNTING POLICIES**

The Company has changed its fiscal year end to October 31. The reason for this change of year-end was to make the reporting period of the Company consistent with the reporting period of Agricore United.

Effective November 1, 2004, the Company adopted CICA Handbook Section 3110, Asset Retirement Obligations ("AROs"). Section 3110 requires the Company to recognize a liability for legal obligations associated with the retirement of tangible long-lived assets that result from the assets' acquisition, construction, development or normal operation. Upon initial recognition of a liability for an asset retirement obligation, the Company will recognize the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. The Company will subsequently allocate that asset retirement cost to the expense using a systematic and rational method over the asset's useful lifetime.

The Company has determined that its current liability for asset retirement obligations is nil; however, it cannot reasonably estimate the effect of this new accounting policy on its business in the future. The future effect of this accounting policy could be dependent on new legislation being introduced that imposes asset retirement obligations on the Company and the Company's entering into of agreements that impose asset retirement obligations.

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 *Financial Instruments – Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 *Financial Instruments – Disclosure and Presentation* discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 *Hedges*. Section 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. There have also been numerous consequential amendments made to other Sections. However, the Joint Venture does not expect the adoption of these new standards to have a material impact on its financial statements.

## **11. Audit Committee Disclosure**

The Board of Directors annually appoints three of its members to an Audit Committee which is responsible for overseeing the financial disclosure which will be provided to shareholders, the Company's internal controls over accounting practices and the audit process.

The current members of the Audit Committee are Fred Draude, Leslie Sarauer, and David Nystuen all of whom are financially literate, within the meaning of such term defined in Multilateral Instrument 52-110 Audit Committees ("M 52-110"). All audit committee members are independent as required by MI 52-110.

The Company's Audit Committee Charter is attached hereto as Schedule "A".

<b>External Auditor Service Fees</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Audit Fees	<b>\$15,520.00</b>	<b>\$9,184.00</b>	<b>\$6,587.00</b>
Audit Related Fees			
Tax Fees			
All Other Fees	<b>\$ 2,800.00</b>		<b>\$ 888.00</b>
Total	<b>\$18,320.00</b>	<b>\$9,184.00</b>	<b>\$7,475.00</b>



## **12. CHANGE IN FINANCIAL YEAR END**

The Board of Directors of the Company has changed the Company's year-end from July 31 to October 31. The reason for the change of year-end is to make the reporting period of the Company consistent with the reporting period for Agricore United, with whom the Company is a co-venturer in a joint venture.

The transition year for the Company resulting from the change of the financial year end to October 31 shall be the 15 months ended October 31, 2006. The Company will be reporting to the shareholders during the fiscal year as follows:

<b>Reporting Period</b>
6 months ended January 31, 2006
12 months ended July 31, 2006
15 months ended October 31, 2006

## **13. TRANSACTIONS WITH RELATED PARTIES**

CMI Terminal Joint Venture and the Company's 50% interest therein, are governed by the terms of an Amended and Restated Joint Venture Agreement between the Company and Agricore United dated January 3, 2003. The Joint Venture markets substantially all of its products through an arrangement with Agricore United. The ability of the Joint Venture to sustain operations is dependent upon the continued operation of this arrangement. Under the Joint Venture arrangement, Agricore United purchases product directly from farmers and is responsible for the marketing and selling of all such product that is not sold under the legislated single-desk selling system of the Canadian Wheat Board ("CWB"). The Joint Venture recognizes revenue when grain cars are loaded at the terminal. The Joint Venture accrues the revenue on cars in transit. Agricore United pays the Joint Venture when the cars are unloaded at their destination. On October 31, 2006 the amount receivable from Agricore United was \$284,656 (\$368,450 in July 31, 2005).

## **14. FORWARD LOOKING INFORMATION**

Certain statements in this report may constitute forward-looking statements. The results or events predicted in these statements may differ materially from actual results or events. These forward-looking statements can generally be identified by the use of statements that include phrases such as "believe", "expect", "anticipate", "intend", "plan", "likely", "will" or similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are or maybe forward-looking statements.

These forward-looking statements are based on the Company's current expectations and its projections about future events. However, whether actual results and developments will conform to the Company's expectations and projections is subject to a number of risks and uncertainties, including, among other things, the risks and uncertainties associated with poor weather conditions,

agricultural commodity prices, financial leverage, additional funding requirements, international trade and political uncertainty, competition, domestic regulation, environmental risks, diseases and other livestock industry risks, acceptance of generically modified products, labor disruptions, dependence on key personnel, technological advances, credit and foreign exchange risk. These are not necessarily all of the important facts that could cause actual results to differ materially from those expressed in any of the Company's forward-looking statements. Other known and unpredictable factors could also harm its results. Consequently, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **15. ADDITIONAL INFORMATION**

The information contained in the Company's Information Circular dated February 2, 2007 is hereby incorporated by reference. This Management Discussion and Analysis Report, as well as additional information relating to CMI Terminal Ltd. can be found on the internet at [www.sedar.com](http://www.sedar.com).

## **SCHEDULE “A”**

### **AUDIT COMMITTEE CHARTER**

#### **I. Purpose and Mandate**

The Audit Committee (the “Committee”) is established by the Board of Directors (the “Board”) of CMI Terminal Ltd. (“CMI”) primarily for the purpose of overseeing the accounting and financial reporting processes of CMI and the reviews and audits of the financial statements of CMI and CMI Terminal Joint Venture (“CMI-JV”). CMI was formed for the purpose primarily of entering into a Joint Venture relationship with Agricore United to construct and operate CMI-JV. The consolidated financial statements of CMI include its 50% proportionate share of the accounts of its joint venture interest in CMI-JV. Under this method of presentation, CMI includes in its accounts its proportionate share of the assets, liabilities, revenues and expenses of CMI-JV.

The Committee shall assist the Board in fulfilling the Board’s oversight responsibilities by monitoring, among other things:

- (a) the quality and integrity of the financial statements and related disclosure of CMI and CMI-JV;
- (b) compliance by CMI with legal and regulatory requirements that could have a material effect upon the financial position of CMI and that are not subject to the oversight of another committee of the Board;
- (c) the performance of CMI’s internal audit process and external auditor;
- (d) CMI’s compliance with laws, regulations and the codes of conduct; and
- (e) the independent auditor’s qualifications and independence.

#### **II. Authority**

The Committee is empowered to make such inquiry and investigation and require such information and explanation from management as it considers reasonably necessary. The Committee may also require management to promptly inform the Committee and the auditor of any material misstatement or error in the financial statements following discovery of such situation. The Committee has authority to engage outside advisers where appropriate.

#### **III. Composition of Committee**

The Committee shall consist of as least three (3) directors, all of whom shall meet the independent requirements established by the Board and applicable laws, regulations and requirements. Each member of the Committee shall, in the judgment of the Board, have the ability to read and understand fundamental financial statements. The members of the Committee and the chairperson of the Committee shall be selected annually by the Board and serve at the pleasure of the Board. A Committee member may be removed at any time, with or without cause, by the Board.

#### **IV. Meetings**

The Committee will meet as often as it determines is appropriate, but not less frequently than quarterly. All Committee members are expected to attend each meeting, in person or via telephone or video conference. The Committee will periodically hold private meetings with management, the internal auditor (if any) and the external auditor. The Committee may invite any officer or employee of CMI, the external auditor, CMI’s outside counsel, the Committee’s counsel or others to attend meetings and provide pertinent information. Meeting agendas will be prepared by the Chief Audit Executive and provided in advance to members, along with appropriate briefing materials. Minutes will be kept by a member of the Committee or a person designated by the Committee.

## **V. Specific Responsibilities and Duties**

In carrying out its oversight responsibilities, the Committee's policies and procedures should remain flexible to enable the Committee to react to changes in circumstances and conditions so as to ensure that CMI remains in compliance with applicable legal and regulatory requirements.

### **A. Annual Financial Information**

The Committee shall:

1. after discussing with management and the auditors matters pertaining to the annual consolidated financial statements of CMI and CMI-JV, review the annual consolidated financial statements and recommend its approval to the Board;
2. review and approve the CMI's annual report to shareholders including management's discussion and analysis ("MD&A") contained therein;
3. obtain certifications from the chief executive officer and the chief financial officer (and considering the external auditors' comments, if any, thereon) that to their knowledge:
  - (a) the audited financial statements, together with any financial information included in CMI's annual MD&A, fairly represent in all material respects CMI's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings; and
  - (b) the semi-annual financial statements of CMI, together with any financial information included in the semi-annual MD&A, fairly represent in all material respects CMI's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings.
4. review the planning and results of the external audit of CMI and CMI-JV, including:
  - (a) the engagement letter and projected audit fee for CMI and CMI-JV;
  - (b) the scope of the audit of CMI and CMI-JV, including areas of audit risk, timetable, deadlines, materiality limits, extent of internal control testing, and co-ordination with internal audit;
  - (c) various reports issued by the external auditor including:
    - (i) the auditor's report;
    - (ii) all critical accounting policies and practices used;
    - (iii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management;
    - (iv) ramifications of the use of alternative disclosures and treatments;
    - (v) treatment preferred by the external auditors; and
    - (vi) any material written communications between the external auditors and management; and
  - (d) any errors detected by the audit, how they were resolved with management and whether they indicate a weakness in the reporting and control system;
5. review any news releases dealing with financial issues before such news releases are released to the public.

## **B. Interim Financial Statements**

The Committee shall review and recommend for approval by the Board of Directors, all interim financial statements, including MD&A thereon, that are published or issued to regulatory authorities and the Committee shall obtain reasonable assurance that the process for preparing these statements is reliable and consistent with the process for preparing annual financial statements.

## **C. Internal Controls and Risk Management**

The Committee shall:

1. consider the effectiveness of CMI's and CMI-JV's internal control systems, including information technology, security and control;
2. review and evaluate the critical areas of risk and exposure as determined by management and the steps management has taken to monitor and control such exposures, including CMI's and CMI-JV's risk assessment and risk management policies;
3. review any emerging accounting issues and their potential impact on the CMI's and/or CMI-JV's financial statements;
4. understand the scope of internal audits and external auditor's reviews of internal control or financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;
4. direct the external auditor's examinations to specific areas as deemed necessary by the Committee;
5. review significant control weaknesses identified by the external and the internal auditor, along with management's response; and
6. review management representations regarding salaries and wages, source deductions, tax obligations and environmental liabilities or judgments.

## **D. External Auditor Independence**

The Committee shall ensure that the external auditor understands its ultimate accountability to the Board and to the Committee, as representatives of the CMI shareholders. The Committee is responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the auditor's report or performing any other audit. The external auditor shall report directly to the Committee, but may also report directly to the Board if requested by the Chairman of the Board or by a Committee member.

The Committee shall strengthen and preserve external auditor independence by:

- (a) holding periodic in-camera sessions with the external auditor;
- (b) annually reviewing non-audit engagements undertaken by the audit firm for CMI and CMI-JV and assessing their impact on the external auditor's objectivity and independence;
- (c) assessing the performance of the external auditor and developing resolutions related to the reappointment or any proposed change in external auditors to the shareholders annual meeting;
- (d) reviewing the co-operation received by the external auditor from management and resolving any disagreements between management and the External Auditor regarding financial reporting;

- (e) receiving from the external auditor a letter which summarizes the non-audit services provided during the year and declaring their independence from CMI and CMI-JV; and
- (f) recommending to the Board the nomination and compensation of the external auditor.

#### **E. Internal Audit**

The Committee shall:

1. review with management and the external auditor the plans, activities, staffing and organizational structure of the internal audit function, and any recommended changes thereto, as well as staff qualifications;
2. ensure that internal audit activities conform with the international standards for the professional practice of internal auditing;
3. ensure there are no unjustified restrictions or limitations on the chief audit executive's scope of activities or access to information, and review and concur in the appointment, replacement or dismissal of the chief audit executive; and
4. review significant reports to management prepared by internal audit and management's responses thereto.

#### **F. Ethical and Legal Conduct**

The Committee shall:

1. review and evaluate the adequacy of systems and practices in place to provide reasonable assurance of compliance with laws, regulations and standards of ethical conduct, with respect to the financial affairs of CMI and CMI-JV;
2. receive and review updates from management and general counsel on compliance matters and litigation claims or other contingencies that could have a significant impact on the financial position or operating results of CMI and/or CMI-JV;
3. establish procedures, and periodically assess the adequacy of such procedures, for:
  - (a) the receipt, retention and treatment of complaints received by CMI regarding accounting, internal accounting controls, or auditing matters;
  - (b) the confidential, anonymous submission by employees of CMI or CMI-JV of concerns regarding questionable accounting or auditing matters; and
  - (c) the review of CMI's and CMI-JV's public disclosure financial information extracted or derived from financial statements.
4. require reporting of all fraudulent and illegal acts to the Committee along with management's response to them.



#### **G. Reporting Responsibilities**

The Committee shall:

1. prepare the report required by applicable securities laws to be included in CMI's annual proxy statement;
2. regularly report to the Board about Committee activities, issues and related recommendations;
3. provide an open avenue of communication between the External Auditor and the Board; and
4. review any other reports CMI or CMI-JV issues that relate to Committee responsibilities.

#### **H. Other**

In addition to the foregoing, the Committee shall:

1. annually review the Committee Charter and recommend appropriate changes to the Board of Directors;
2. pre-approve all non-audit services to be provided to CMI or CMI-JV by CMI's auditor;
3. annually self-assess whether the Committee has carried out the responsibilities defined in the Committee Charter and report these results to the Board of Directors;
4. arrange for disclosure of or appropriate access to the Committee Charter for all shareholders of CMI;
5. undertake development and education activities as deemed appropriate;
6. annually review management's succession plans for financial and auditing staff, and approve the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer of CMI, or person holding an equivalent position in CMI;
7. hold in-camera sessions on a quarterly basis and at the discretion of the Chair;
8. perform any other activities consistent with this Charter, CMI bylaws and governing law, as the Committee or Board deems necessary or appropriate; and
9. review and evaluate management's disaster recovery and business resumption plans including the results of testing those plans.

**This Audit Committee Charter was adopted by the Board of Directors of CMI Terminal Ltd. on April 28, 2006.**

**CMI Terminal Ltd.**  
**Consolidated Financial Statements**  
*October 31, 2006*



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To the Shareholders of CMI Terminal Ltd.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

November 29, 2006

Fred Draude

David Nystuen

the Directors of CMI Terminal Ltd.:

· have audited the consolidated balance sheet of CMI Terminal Ltd. as at October 31, 2006 and July 31, 2005 and the consolidated statements of earnings and retained earnings, and cash flows for the periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

· conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2006 and July 31, 2005 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Melfort, Saskatchewan

November 29, 2006

*Meys Naris Penny LLP*

Chartered Accountants

**CMI Terminal Ltd.**  
**Consolidated Balance Sheet**

	<i>October 31</i> <b>2006</b>	<i>July 31</i> <b>2005</b>
<b>Assets</b>		
<b>Current</b>		
Cash	632,191	405,121
Short term deposits	257,500	182,500
Accounts receivable	152,177	208,736
Prepaid expenses and deposits	16,158	26,624
	<b>1,058,026</b>	822,981
<b>Future income taxes</b>	-	14,549
<b>Property, plant and equipment</b> <i>(Note 3)</i>	3,775,671	4,033,140
	<b>4,833,697</b>	4,870,670
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	53,644	131,007
Income taxes payable	1,102	5,877
Condo deposits	27,000	-
Current portion of long-term debt <i>(Note 4)</i>	303,897	305,827
	<b>385,643</b>	442,711
Term loans subject to refinancing <i>(Note 4)</i>	1,626,535	-
	<b>2,012,178</b>	442,711
<b>Long-term debt</b> <i>(Note 4)</i>	147,410	2,134,343
<b>Future income taxes</b>	23,173	-
	<b>2,182,761</b>	2,577,054
<b>Shareholders' Equity</b>		
<b>Share capital</b> <i>(Note 5)</i>	2,147,154	2,147,154
<b>Retained earnings</b>	503,782	146,462
	<b>2,650,936</b>	2,293,616
	<b>4,833,697</b>	4,870,670

Approved on behalf of the Board

Fred Draude

Director

David Nystuen

Director



**CMI Terminal Ltd.**  
**Consolidated Statement of Earnings (Loss) and Retained Earnings**  
*For the periods ended October 31, 2006, and July 31, 2005*

	<i>15 Months Ended October 31 2006</i>	<i>12 Months Ended July 31 2005</i>
<b>Sales</b>	<b>3,973,364</b>	2,301,654
<b>Cost of sales</b>	<b>1,553,593</b>	1,001,389
<b>Gross margin</b>	<b>2,419,771</b>	1,300,265
<b>Other income</b>	<b>42,984</b>	11,269
<b>Administrative expenses</b>	<b>2,462,755</b>	1,311,534
<b>Operating expenses</b>	<b>224,872</b>	167,828
	<b>1,109,931</b>	694,659
<b>Earnings from operations before interest and amortization</b>	<b>1,127,952</b>	449,047
<b>Interest on long-term debt</b>	<b>165,977</b>	146,211
<b>Earnings before amortization</b>	<b>961,975</b>	302,836
<b>Amortization</b>	<b>383,822</b>	310,293
<b>Earnings (loss) before income taxes</b>	<b>578,153</b>	(7,457)
<b>Income taxes (recoverable)</b>		
Current	<b>68,061</b>	51,147
Future	<b>37,722</b>	(51,551)
	<b>105,783</b>	(404)
<b>Net earnings (loss)</b>	<b>472,370</b>	(7,053)
<b>Retained earnings, beginning of year</b>	<b>146,462</b>	267,565
<b>Dividends</b>	<b>(115,050)</b>	(114,050)
<b>Retained earnings, end of year</b>	<b>503,782</b>	146,462
<b>Earnings (loss) per share</b>		
Basic and fully diluted	<b>20.619</b>	(0.300)

accompanying notes are an integral part of these financial statements

**CMI Terminal Ltd.**  
**Consolidated Statement of Cash Flows**  
*For the periods ended October 31, 2006, and July 31, 2005*

	<i>15 Months Ended October 31 2006</i>	<i>12 Months Ended July 31 2005</i>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Net earnings (loss)	472,370	(7,053)
Amortization	383,822	310,293
Gain on disposal of property, plant and equipment	(144)	-
Future income taxes (recovered)	37,722	(51,551)
	893,770	251,689
Changes in working capital accounts		
Accounts receivable	56,559	15,319
Income taxes payable	(4,775)	(38,474)
Prepaid expenses and deposits	10,466	17,887
Accounts payable and accruals	(77,364)	54,820
Condo deposits	27,000	-
	905,656	301,241
<b>Financing activities</b>		
Advances of long-term debt	39,616	270,000
Repayments of long-term debt	(401,944)	(260,409)
Dividends	(115,050)	(114,050)
	(477,378)	(104,459)
<b>Investing activities</b>		
Purchases of property, plant and equipment	(131,058)	(445,462)
Proceeds on disposal of property, plant and equipment	4,850	-
	(126,208)	(445,462)
<b>Increase (decrease) in cash resources</b>	<b>302,070</b>	<b>(248,680)</b>
<b>Cash resources, beginning of year</b>	<b>587,621</b>	<b>836,301</b>
<b>Cash resources, end of year</b>	<b>889,691</b>	<b>587,621</b>
<b>Cash resources are composed of:</b>		
Cash	632,191	405,121
Short term deposits	257,500	182,500
	889,691	587,621
<b>Supplementary cash flow information</b>		
Interest paid	165,977	146,211
Income taxes paid	72,836	89,621

accompanying notes are an integral part of these financial statements

**Incorporation and commencement of operations**

CMI Terminal Ltd. (the Company) was incorporated on June 4, 1998 under the laws of the Province of Saskatchewan. The Company was formed for the purpose of entering into a joint venture agreement with Agricare United in constructing and operating an inland grain terminal near Naicam, Saskatchewan. The Joint Venture name is CMI Terminal Joint Venture.

**Significant accounting policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following accounting policies:

***Basis of presentation***

CMI Terminal Ltd. has changed its fiscal year-end to October 31, effective for its 2006 fiscal year. As a result, the Company has a fifteen month year-end for the period from August 1, 2005 to October 31, 2006.

***Basis of consolidation***

The consolidated financial statements include the accounts of CMI Terminal Ltd., and its fifty percent proportionate share of the accounts of its joint venture interest in CMI Terminal Joint Venture. Based on the proportionate consolidation method, the Company includes in its accounts its proportionate share of the assets, liabilities, revenues, and expenses of the Joint Venture. Intercentury balances and transactions are eliminated.

***Property, plant and equipment***

Property, plant and equipment are initially recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	declining balance	4-10 %
Automotive	declining balance	30 %
Computer equipment	declining balance	30 %
Fertilizer and chemical equipment	declining balance	10 %
Equipment	declining balance	10-20 %

***Long-lived assets***

Long-lived assets consist of property, plant, and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from an asset's use and disposal are less than the its carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings or loss for the year.

***Asset retirement obligations***

The Company owns all land upon which its capital assets are located. The Company believes that it does not have a legal obligation to undertake a site restoration of these properties at any time in the future, and thus has determined that its liability for asset retirement obligations is nil.

**Significant accounting policies** *(Continued from previous page)*

**Revenue recognition**

The Company's revenues are comprised of its proportionate share of revenues of the Joint Venture.

Revenue of the Company's Joint Venture is generated primarily from the handling and elevation of grains and oilseeds owned by Agricore United. Agricore United purchases this product directly from farmers and is responsible for the marketing and selling of product that is not sold under the legislated monopoly of the Canadian Wheat Board. The Joint Venture recognizes revenue when grain cars are loaded at the terminal. Agricore United pays the Joint Venture when the cars are unloaded at their destination. The company's sales revenue is its proportionate share of the Joint Venture's revenue.

Revenue from the sale of crop inputs is recognized when the product is transferred to the farmer. Agricore United bills the Joint Venture as of the date of sale.

**Future income taxes**

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

**Earnings per share**

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares.

**Measurement uncertainty**

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

**Recent accounting pronouncements**

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 *Financial Instruments – Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 *Financial Instruments – Disclosure and Presentation* discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 *Hedges*. Section 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Section 3251 *Equity* establishes standards for the presentation of equity and changes in equity, including changes arising from those items recorded in comprehensive income. There have also been numerous consequential amendments made to other Sections. However, the Company does not expect the adoption of these new standards to have a material impact on its consolidated financial statements.

**CMI Terminal Ltd.**  
**Notes to the Consolidated Financial Statements**  
*For the periods ended October 31, 2006, and July 31, 2005*

**Property, plant and equipment**

			<i>October 31</i> <b>2006</b>	<i>July 31</i> <b>2005</b>
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value</i>	<i>Net book value</i>
Land	42,713	-	42,713	42,713
Buildings	4,109,944	1,278,724	2,831,220	3,031,349
Automotive	64,442	41,991	22,451	17,879
Computer equipment	30,042	14,744	15,298	11,901
Fertilizer and chemical equipment	374,735	60,811	313,924	349,288
Equipment	1,047,039	496,974	550,065	580,010
	<b>5,668,915</b>	<b>1,893,244</b>	<b>3,775,671</b>	<b>4,033,140</b>

**Long-term debt**

	<i>October 31</i> <b>2006</b>	<i>July 31</i> <b>2005</b>
Term loan bearing interest at 5.8% (6.25% in 2005), payable in monthly instalments of \$19,223 plus interest, secured by a general security agreement, due October 2007	<b>1,857,205</b>	2,145,542
Term loan bearing interest at prime plus 1.25% (7.25% at October 31, 2006), payable in six monthly instalments of \$10,000 from May to October annually plus interest due monthly, secured by a general security agreement, due 2009	<b>180,000</b>	270,000
Term loan bearing interest at 0%, payable in monthly instalments of \$781, secured by related automotive assets having a total net book value of \$19,427 (\$13,840 in 2005), due 2009	<b>21,382</b>	14,211
Term loan bearing interest at 5.9%, payable in semi-annual instalments of \$2,467, secured by automotive assets having a total net book value of \$27,820, due 2010	<b>19,255</b>	-
Term loan bearing interest at prime plus 0.75% (6.75% at October 31, 2006), payable in monthly instalments of \$2,084 plus interest	-	10,417
	<b>2,077,842</b>	2,440,170
Less: current portion	<b>303,897</b>	305,827
Less: term loans subject to refinancing	<b>1,626,535</b>	-
	<b>147,410</b>	<b>2,134,343</b>

**Long-term debt** *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed at similar terms, are estimated as follows:

2007	303,897
2008	302,931
2009	298,852
2010	235,264
2011	233,064

Long-term debt is subject to certain financial covenants with respect to current ratio, net worth and earnings. As at October 31, 2006, the Company is in compliance with all such covenants. It is management's opinion that the Company is likely to remain in compliance with all long-term debt covenants throughout the next 12 months subsequent to October 31, 2006.

Although all covenant requirements have been met with regard to the term loan subject to refinancing, it has been reclassified to current liabilities as its term expires within 12 months of the balance sheet date.

**Share capital**

<i>October 31</i>	<i>July 31</i>
<b>2006</b>	<b>2005</b>

Authorized

Common shares

Unlimited number of Class A, voting common shares which may be issued in series.

Unlimited number of Class B, non-voting common shares which may be issued in series. The Class B shares may be converted into Class A Series 1 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, (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 right may only be exercised in lots of 10 Class B Series 1 shares.

Preferred shares

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

Unlimited number of 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

Common shares

22,910	Class A common shares	<b>2,147,154</b>	2,147,154
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**CMI Terminal Ltd.**  
**Notes to the Consolidated Financial Statements**  
*For the periods ended October 31, 2006, and July 31, 2005*

**Income taxes**

The Company's effective tax rate approximates 18% on active business income conducted in Saskatchewan up to \$300,000, and 39% on any income thereafter.

The Company has incurred income tax losses, which are available to offset income for tax purposes to the extent of \$38,155 (\$225,669 - 2005). These losses can be applied to reduce future years' taxable incomes within the limits of the Income Tax Act and expire in October, 2009. The potential future benefits of these tax losses have been recognized in the financial statements as a decrease in the future income tax liability.

**Proportionately consolidated Joint Venture**

The Company's investment in CMI Terminal Joint Venture is an integral part of its operation.

The following is a summary of the Company's proportionate share of the financial position, operating results, and cash flows of the Joint Venture:

	<i>15 Months Ended October 31 2006</i>	<i>12 Months Ended July 31 2005</i>
<b>Assets</b>		
Current assets	712,792	445,008
Non-current assets	3,772,403	4,028,840
	<b>4,485,195</b>	<b>4,473,848</b>
<b>Liabilities and Equity</b>		
Current liabilities	2,008,299	436,647
Long-term liabilities	147,410	2,134,342
Equity	2,329,486	1,902,858
	<b>4,485,195</b>	<b>4,473,847</b>
<b>Operating results</b>		
Revenues	3,987,273	2,306,949
Expenses	(3,360,644)	(2,241,121)
	<b>626,629</b>	<b>65,828</b>
<b>Cash flows</b>		
Cash flows from operating activities	1,023,567	444,750
Cash flows from investing activities	(126,208)	(444,503)
Cash flows from financing activities	(562,327)	(255,337)
	<b>335,032</b>	<b>(255,090)</b>

**Economic dependence**

The Joint Venture markets substantially all of its services through an arrangement with Agricore United. The ability of the Company to sustain operations is dependent upon the continued operation of this arrangement. On October 31, 2006, the amount receivable from Agricore United is \$146,373 (\$368,450 in 2005).

**Financial instruments**

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

***Fair value disclosure***

The carrying amounts of short term deposit, accounts receivable, and accounts payable and accruals approximate their fair values due to the short term maturities of these items. The carrying amount of the Company's long-term debt approximates its fair value, as current interest rates are not significantly different from the terms of these loans.

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.

***Credit concentration***

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. Substantially all of the Company's trade accounts receivable are from Agricore United, who is also a participant in the CMI Terminal Joint Venture.

***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. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its fixed and floating rate long-term debt as described in note 4.

**0. Commitments**

The Company has entered into various lease agreements with estimated minimum annual payments as follows:

2007	21,123
2008	14,210
2009	13,008
2010	8,765
2011	3,001
	<hr/>
	60,107

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**1. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.

**CMI Terminal Joint Venture**  
**Financial Statements**  
*October 31, 2006*



# CMI Terminal Joint Venture

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*For the 15 months ended October 31, 2006*

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To the Venturers of CMI Terminal Joint Venture:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Management Committee is composed entirely of Directors who are neither management nor employees of the Joint Venture. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Committee fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management internal auditors, and external auditors. The Committee is also responsible for recommending the appointment of the Joint Venture's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Venturers to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

November 29, 2006

Norman Fodness

Fred Draude

to the Venturers of CMI Terminal Joint Venture:

We have audited the balance sheet of CMI Terminal Joint Venture as at October 31, 2006 and the statements of earnings, venturers' capital and cash flows for the period then ended. These financial statements are the responsibility of the Joint Venture's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Joint Venture as at October 31, 2006 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Melfort, Saskatchewan

November 29, 2006

*Meyers Norris Penny LLP*

Chartered Accountants



**CMI Terminal Joint Venture****Balance Sheet***As at October 31, 2006*

	<i>October 31 2006</i>	<i>July 31 2005</i>
<b>Assets</b>		
<b>Current</b>		
Cash	1,089,360	419,296
Accounts receivable	303,909	417,471
Prepaid expenses and deposits	32,315	53,248
	1,425,584	890,015
<b>Property, plant and equipment</b> <i>(Note 3)</i>	7,544,807	8,057,680
	8,970,391	8,947,695
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	101,735	261,642
Condo deposits	54,000	-
Current portion of long-term debt <i>(Note 4)</i>	607,794	611,654
	763,529	873,296
Term loans subject to refinancing <i>(Note 4)</i>	3,253,069	-
	4,016,598	873,296
<b>Long-term debt</b> <i>(Note 4)</i>	294,821	4,268,685
	4,311,419	5,141,981
<b>Venturers' Capital</b>	4,658,972	3,805,714
	8,970,391	8,947,695

**Approved on behalf of the Board**

Norman Fodness  
Director

Fred Draude  
Director

**CMI Terminal Joint Venture****Statement of Earnings***For the 15 months ended October 31, 2006*

	<i>15 Months Ended October 31 2006</i>	<i>12 Months Ended July 31 2005</i>
<b>Sales</b>	<b>7,946,727</b>	4,603,308
<b>Cost of sales</b>	<b>3,107,184</b>	2,002,777
<b>Gross profit</b>	<b>4,839,543</b>	2,600,531
<b>Other income</b>	<b>27,820</b>	10,589
<b>Administrative expenses</b>	<b>4,867,363</b>	2,611,120
<b>Operating expenses</b>	<b>326,509</b>	249,733
	<b>2,190,064</b>	1,360,700
<b>Earnings from operations before interest and amortization</b>	<b>2,350,790</b>	1,000,687
<b>Interest on long-term debt</b>	<b>331,954</b>	292,422
<b>Earnings before amortization</b>	<b>2,018,836</b>	708,265
<b>Amortization</b>	<b>765,578</b>	576,611
<b>Net earnings</b>	<b>1,253,258</b>	131,654
<b>Allocation of net earnings</b>		
Agricore United	<b>626,629</b>	65,827
CMI Terminal Ltd.	<b>626,629</b>	65,827
	<b>1,253,258</b>	131,654

*accompanying notes are an integral part of these financial statements*

**CMI Terminal Joint Venture**  
**Statement of Venturers' Capital**  
*For the 15 months ended October 31, 2006*

	<i>15 Months Ended October 31 2006</i>	<i>12 Months Ended July 31 2005</i>
<hr/>		
<b>Agricore United</b>		
<b>Balance, beginning of period</b>	<b>1,902,857</b>	2,101,954
Withdrawals	<b>(200,000)</b>	(264,924)
Share of earnings	<b>626,629</b>	65,827
<b>Balance, end of period</b>	<b>2,329,486</b>	1,902,857
<hr/>		
<b>CMI Terminal Ltd.</b>		
<b>Balance, beginning of period</b>	<b>1,902,857</b>	2,101,954
Withdrawals	<b>(200,000)</b>	(264,924)
Share of earnings	<b>626,629</b>	65,827
<b>Balance, end of period</b>	<b>2,329,486</b>	1,902,857
	<b>4,658,972</b>	3,805,714
<hr/>		

# CMI Terminal Joint Venture

## Statement of Cash Flows

For the 15 months ended October 31, 2006

	15 Months Ended October 31 2006	12 Months Ended July 31 2005
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Net earnings	1,253,258	131,654
Amortization	765,578	576,611
Gain on disposal of property, plant and equipment	(288)	-
	<b>2,018,548</b>	<b>708,265</b>
Changes in working capital accounts		
Accounts receivable	113,559	29,924
Prepaid expenses and deposits	20,933	35,775
Accounts payable and accruals	(159,905)	115,535
Condo deposits	54,000	-
	<b>2,047,135</b>	<b>889,499</b>
<b>Financing activities</b>		
Advances of long-term debt	79,232	540,000
Repayments of long-term debt	(803,887)	(520,826)
Withdrawals by Joint Venturers	(400,000)	(529,848)
	<b>(1,124,655)</b>	<b>(510,674)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(262,116)	(889,006)
Proceeds on disposal of property, plant and equipment	9,700	-
	<b>(252,416)</b>	<b>(889,006)</b>
<b>Increase (decrease) in cash resources</b>	<b>670,064</b>	<b>(510,181)</b>
<b>Cash resources, beginning of period</b>	<b>419,296</b>	<b>929,477</b>
<b>Cash resources, end of period</b>	<b>1,089,360</b>	<b>419,296</b>
<b>Supplementary cash flow information</b>		
Interest paid	331,954	292,422

accompanying notes are an integral part of these financial statements

## **Operations**

CMI Terminal Joint Venture was formed on November 2, 1998 for the purpose of constructing and operating an inland grain terminal near Naicam, Saskatchewan.

## **Significant accounting policies**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

### ***Basis of presentation***

CMI Joint Venture has changed its fiscal year-end to October 31, effective for its 2006 fiscal year. As a result, the Joint Venture has a fifteen month year-end for the period from August 1, 2005 to October 31, 2006.

These financial statements reflect only the assets, liabilities, revenues and expenses of the Joint Venture and therefore do not include any other assets, liabilities, revenues or expenses of the Venturers or the liability of the Venturers for the income taxes on earnings of the Joint Venture.

### ***Property, plant and equipment***

Property, plant and equipment are initially recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	declining balance	4-10 %
Automotive	declining balance	30 %
Computer equipment	declining balance	30 %
Fertilizer and chemical equipment	declining balance	10 %
Equipment	declining balance	10-20 %

### ***Long-lived assets***

Long-lived assets consist of property, plant and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Joint Venture performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from an asset's use and disposal are less than its carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the period.

### ***Asset retirement obligations***

The Joint Venture owns all land upon which its plant and equipment are located. The Joint Venture believes that it does not have a legal obligation to undertake a site restoration of these properties at any time in the future, and thus has determined that its liability for asset retirement obligations is nil.

**Significant accounting policies** (Continued from previous page)

**Revenue recognition**

Revenue is generated primarily from the handling and elevation of grains and oilseeds owned by Agricare United. Agricare United purchases this product directly from farmers and is responsible for the marketing and selling of product that is not sold under the legislated monopoly of the Canadian Wheat Board. The Joint Venture recognizes revenue when grain cars are loaded at the terminal. Agricare United pays the Joint Venture when the cars are unloaded at their destination.

Revenue from the sale of crop inputs is recognized when the product is transferred to the farmer. Agricare United bills the Joint Venture as of the date of sale.

**Measurement uncertainty (use of estimates)**

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

**Recent accounting pronouncements**

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 *Financial Instruments – Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 *Financial Instruments – Disclosure and Presentation* discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 *Hedges*. Section 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. There have also been numerous consequential amendments made to other Sections. However, the Joint Venture does not expect the adoption of these new standards to have a material impact on its financial statements.

**Property, plant and equipment**

			October 31 2006	July 31 2005
	Cost	Accumulated amortization	Net book value	Net book value
Land	85,425	-	85,425	85,425
Buildings	8,219,889	2,557,448	5,662,441	6,062,697
Automotive	128,884	83,982	44,902	35,757
Computer equipment	60,083	29,487	30,596	23,803
Fertilizer and chemical equipment	749,469	121,623	627,846	698,577
Equipment	2,080,425	986,828	1,093,597	1,151,421
	11,324,175	3,779,368	7,544,807	8,057,680

**CMI Terminal Joint Venture**  
**Notes to the Financial Statements**  
*For the 15 months ended October 31, 2006*

**Long-term debt**

	<i>October 31</i> <b>2006</b>	<i>July 31</i> <b>2005</b>
Term loan bearing interest at 5.8% (6.25% in 2005) payable in monthly instalments of \$38,445 plus interest, secured by a general security agreement, due October 2007	<b>3,714,409</b>	4,291,084
Term loan bearing interest at prime plus 1.25% (7.25% at October 31, 2006) payable in six monthly instalments per year from May to October of \$20,000 plus interest, secured by a general security agreement, due 2009	<b>360,000</b>	540,000
Term loans bearing interest at 0% payable in monthly instalments of \$1,562, secured by related automotive assets having a total net book value of \$38,854 (\$27,680 in 2005), due 2009	<b>42,765</b>	28,421
Term loan bearing interest at 5.9% payable in semi-annual instalments of \$4,935, secured by automotive assets having a total net book value of \$52,430, due 2010	<b>38,510</b>	-
Term loan bearing interest at prime plus 0.75% (6.75% at October 31, 2006) payable in monthly instalments of \$4,167 plus interest	-	20,834
	<b>4,155,684</b>	4,880,339
Less: current portion	<b>607,794</b>	611,654
Less: term loan subject to refinancing	<b>3,253,069</b>	-
	<b>294,821</b>	4,268,685

Principal repayments on long-term debt in each of the next five years, assuming long-term debts are renewed at similar terms, are estimated as follows:

2007	607,794
2008	605,862
2009	597,703
2010	470,528
2011	466,128

Long-term debt is subject to certain financial covenants with respect to current ratio, net worth and earnings. As at October 31, 2006, the Joint Venture is in compliance with all such covenants. It is management's opinion that the Joint Venture is likely to remain in compliance with all long-term debt covenants throughout the 12 months subsequent to October 31, 2006.

Although all covenant requirements have been met with regard to the term loan subject to refinancing, it has been reclassified to current liabilities as its term expires within 12 months of the balance sheet date.



**Financial instruments**

The Joint Venture, as part of its operations, carries a number of financial instruments. It is management's opinion that the Joint Venture is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

***Fair value disclosure***

The carrying amounts of accounts receivable and accounts payable and accruals approximate their fair values due to the short term maturities of these items. The carrying amount of the Joint Venture's long-term debt approximates its fair value, as current interest rates are not significantly different from the terms of these loans.

Fair values are based on management's best estimates after consideration of current market conditions. The estimates are subjective and involve considerable judgement, and as such are not necessarily indicative of the amounts that the Joint Venture may incur in actual market transactions.

**Economic dependence**

The Joint Venture markets substantially all of its product through an arrangement with Agricore United. The ability of the Joint Venture to sustain operations is dependent upon the continued operation of this arrangement. At October 31, 2006 the amount receivable from Agricore United is \$284,656 (\$368,450 on July 31, 2005).

**Commitments**

The Joint Venture has entered into various lease agreements with estimated minimum annual payments as follows:

2007	42,247
2008	28,421
2009	26,016
2010	17,530
2011	6,003
	<hr/>
	120,217
	<hr/>

**Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.

## Form 52-109F2 - Certification of Annual Filings

I, Fred Draude, President of CMI Terminal Ltd., certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of CMI Terminal Ltd., (the issuer) for the period ending October 31, 2006;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared; and
  - (b) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation;

Date: February 2, 2007

*" signed by Fred Draude "*

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**Fred Draude**  
**President**  
**CMI Terminal Ltd.**

## Form 52-109F2 - Certification of Annual Filings

I, Jacqueline Buhs, Controller of CMI Terminal Ltd., certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of CMI Terminal Ltd., (the issuer) for the period ending October 31, 2006;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared; and
  - (b) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation;

Date: February 2, 2007

*"signed by Jacqueline Buhs"*

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**Jacqueline Buhs**  
**Controller**  
**CMI Terminal Ltd.**