CMI Terminal Ltd.
Consolidated Financial Statements
October 31, 2011 and 2010

Contents

For the years ended October 31, 2011 and 2010

Management's Responsibility

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 theconsolidated 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 and Audit Committee are composed primarily 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 Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP 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.

January 16, 2012

signed - Fred Draude
Director

signed - Mark Fouhse
Director

Independent Auditors' Report

To the Shareholders of CMI Terminal Ltd.:

We have audited the accompanying consolidated financial statements of CMI Terminal Ltd., which comprise the consolidated balance sheets as at October 31, 2011 and October 31, 2010, and the consolidated statements of earnings and comprehensive income and retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CMI Terminal Ltd. as at October 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Melfort, Saskatchewan

January 16, 2012

MNP LLP
Chartered Accountants

CMI Terminal Ltd.
Consolidated Balance Sheets
As at October 31, 2011 and 2010

	2011	*2010*
Assets		
Current		
Cash	**1,476,021**	1,549,547
Short-term investments	**-**	14,810
Accounts receivable	**502,282**	55,455
Income taxes recoverable	**807**	8,908
Prepaid expenses and deposits	**18,852**	19,263
	1,997,962	1,647,983
Property, plant and equipment *(Note 3)*	**4,436,331**	4,656,322
	6,434,293	6,304,305
Liabilities		
Current		
Accounts payable and accruals	**119,208**	90,339
Provision for property demolition *(Note 4)*	**75,000**	-
Return of capital *(Note 5)*	**343,650**	-
Current portion of long-term debt *(Note 6)*	**1,075,861**	306,520
	1,613,719	396,859
Long-term debt *(Note 6)*	**1,221,263**	2,297,123
Future income taxes payable *(Note 7)*	**18,627**	39,096
	2,853,609	2,733,078
Shareholders' Equity		
Share capital *(Note 5)*	**910,014**	1,253,664
Retained earnings	**2,670,670**	2,317,563
	3,580,684	3,571,227
	6,434,293	6,304,305

Approved on behalf of the Board

signed - Fred Draude
Director

signed - Mark Fouhse
Director

The accompanying notes are an integral part of these financial statements

CMI Terminal Ltd.
Consolidated Statements of Earnings and Comprehensive Income and Retained Earnings
For the years ended October 31, 2011 and 2010

	2011	2010
Sales	**8,493,705**	5,205,616
Cost of sales	**6,224,784**	2,940,387
Gross margin	**2,268,921**	2,265,229
Other income	**11,493**	7,424
	2,280,414	2,272,653
Administrative expenses	**181,190**	175,154
Operating expenses	**1,139,191**	1,113,604
Earnings from operations	**960,033**	983,895
Interest on long-term debt	**135,164**	125,446
Earnings before income taxes and amortization	**824,869**	858,449
Amortization	**420,383**	392,716
Earnings before income taxes	**404,486**	465,733
Provision for (recovery of) income taxes *(Note 7)*		
Current	**71,848**	78,699
Future	**(20,469)**	(5,979)
	51,379	72,720
Net earnings and comprehensive income	**353,107**	393,013
Retained earnings, beginning of year	**2,317,563**	1,924,550
Retained earnings, end of year	**2,670,670**	2,317,563
Earnings per share		
Basic earnings per share	**15.410**	17.160
Weighted average number of common shares		
Basic	**22,910**	22,910

The accompanying notes are an integral part of these financial statements

	2011	*2010*
Cash provided by (used for) the following activities		
Operating activities		
Net earnings and comprehensive income	**353,107**	393,013
Amortization	**420,383**	392,716
Future income taxes	**(20,469)**	(5,979)
	753,021	779,750
Changes in working capital accounts		
Accounts receivable	**(446,827)**	271,398
Prepaid expenses and deposits	**411**	5,741
Accounts payable and accruals	**28,869**	(296,301)
Provision for property demolition	**75,000**	-
Return of capital	**343,650**	-
Income taxes recoverable	**8,101**	(33,229)
Construction holdbacks	**-**	(93,055)
	762,225	634,304
Financing activities		
Advances of long-term debt	**-**	831,156
Repayment of long-term debt	**(306,519)**	(305,626)
Repayment of share capital	**(343,650)**	(343,650)
	(650,169)	181,880
Investing activities		
Purchases of property, plant and equipment	**(201,392)**	(384,360)
Proceeds on disposal of property, plant and equipment	**1,000**	56,308
	(200,392)	(328,052)
Increase (decrease) in cash resources	**(88,336)**	488,132
Cash resources, beginning of year	**1,564,357**	1,076,225
Cash resources, end of year	**1,476,021**	1,564,357
Cash resources are composed of:		
Cash	**1,476,021**	1,549,547
Short-term investments	**-**	14,810
	1,476,021	1,564,357
Supplementary cash flow information		
Interest paid	**135,164**	141,717
Income taxes	**63,747**	111,928

The accompanying notes are an integral part of these financial statements

1. Incorporation and 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 Viterra Inc. in constructing and operating an inland grain terminal near Naicam, Saskatchewan. The Joint Venture name is CMI Terminal Joint Venture.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

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. Inter-entity 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 %
Rail spur	declining balance	10 %
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 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 property, plant and equipment 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.

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

Revenue recognition

The Company's share of the revenues of CMI Terminal Joint Venture represents substantially all of its consolidated revenue.

Revenue of the Company's Joint Venture is generated primarily from the handling and elevation of grains and oilseeds owned by Viterra Inc. Viterra Inc. 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. Viterra Inc. 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. Viterra Inc. invoices 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 earnings available to common shareholders before extraordinary items by the weighted average number of common shares. There are no dilutive instruments outstanding, such as warrants, rights or future conversion options of shares as at year-end.

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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Although grain inventory on hand is owned by Viterra Inc., the Joint Venture is responsible for any grade variances discovered when product reaches its destination by rail. Gains or losses resulting from grading of grains and oilseeds, which is subjective in nature, are recognized in the period they occur.

Amortization is based on the estimated useful lives of property, plant and equipment.

Current portion of long-term debt is calculated based on repayment terms and interest rates in effect at year end.

In addition, the Joint Venture has entered into contracts for the purchase of crop supplies from Viterra Inc. which may result in contingent gains and losses, the measurement of which is subject to estimates.

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.

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

Financial Instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments – *Recognition and Measurement*, even if that instrument would not otherwise satisfy the definition of held for trading. The Company has classified cash and short-term deposits as held for trading.

The Company has designated cash and short-term investments on initial recognition as held for trading. Held for trading instruments are initially recognized at their fair value. Transactions to purchase or sell these items are recorded on the trade date.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value include interest and are recognized immediately in income.

Available-for-sale:

The Company does not hold any financial assets classified as available-for-sale.

Loans and receivables:

The Company has classified its accounts receivable as loans and receivables. These assets are initially recognized at their fair value, approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value include interest income and allowances for doubtful accounts and are recognized in net earnings upon derecognition or impairment.

Held to maturity:

The Company does not hold any financial assets classified as held to maturity.

Other financial liabilities:

The Company has classified the following financial liabilities as other financial liabilities: accounts payable and accruals and long-term debt. These liabilities are initially recognized at their fair value, approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value and are recognized in net income upon derecognition or impairment.

Liabilities and equity:

The Company classifies financial instruments based on the substance of the instrument. The corresponding interest, dividends, losses and gains relating to a financial instrument or component that is classified as a financial liability is recorded as income (expense). The distributions that have been given to holders of the instruments classified as equity instruments have been recorded by the Company directly in equity.

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

Comprehensive income

Comprehensive income includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income is the total of net income and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with Canadian generally accepted accounting principles, require recognition, but are excluded from net income. The Company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

3. Property, plant and equipment

	Cost	*Accumulated amortization*	*2011 Net book value*
Land	**62,213**	**-**	**62,213**
Buildings	**5,535,965**	**2,217,898**	**3,318,067**
Automotive	**228,391**	**110,251**	**118,140**
Computer equipment	**67,771**	**46,351**	**21,420**
Rail spur	**168,690**	**35,852**	**132,838**
Fertilizer and chemical equipment	**633,541**	**280,969**	**352,572**
Equipment	**1,294,641**	**863,560**	**431,081**
	7,991,212	**3,554,881**	**4,436,331**

	Cost	*Accumulated amortization*	*2010 Net book value*
Land	63,213	-	63,213
Buildings	5,535,965	1,962,913	3,573,052
Automotive	135,535	96,508	39,027
Computer equipment	67,771	37,171	30,600
Rail spur	168,690	21,092	147,598
Fertilizer and chemical equipment	530,277	224,592	305,685
Equipment	1,289,369	792,222	497,147
	7,790,820	3,134,498	4,656,322

No interest has been capitalized to property, plant and equipment by the Joint Venture for the year ended October 31, 2011. In the previous year, the venturer capitalized interest of $14,703 on the grain storage expansion project.

4. Provision for property demolition

During the current year, the Joint Venture accrued a provision in the amount of $150,000 relating to the estimated costs of demolition and cleanup of a wooden grain elevator. As the grain elevator is fully amortized and is not currently used in the operations of the Joint Venture, the cost of $150,000 has been recorded as a provision for property demolition and is reported within the operating expenses of the current year. CMI Terminal Ltd.'s 50% share has been reported within the financial statements.

5. Share capital

	2011	2010
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 rights 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	**910,014**	1,253,664

During the year, the Company approved to return to the shareholders, capital of $15 per share, totalling $343,650.

The Directors have approved to tender a redemption of shares option in the upcoming year up to a maximum of $179,000.

6. Long-term debt

	2011	2010
Term loan bearing interest at 6.45%, payable in monthly instalments of $10,890 plus interest, secured by a general security agreement, amortized to 2018, with interest rate and repayment terms to be renewed October 2012.	**870,505**	1,001,184
Term loan payable in monthly instalments of $8,333 plus interest at 4.93%, secured by building with a net book value of $1,179,619, with current term maturing in 2013.	**1,218,985**	1,318,987
Term loan bearing interest at 5.9%, payable in semi-annual instalments of $2,467.	**-**	1,734
Term loan payable in monthly instalments of $2,083, plus interest at prime plus 1.25% (4.250% at October 31, 2011), secured by equipment with a net book value of $105,529, with interest rate and repayment terms to be renewed October 2012.	**56,250**	81,250

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

	2011	*2010*
Term loan payable in monthly instalments of $4,092 plus interest at prime plus 1.5% (4.5% at October 31, 2011), secured by general security agreement, with current term maturing 2014.	**151,384**	200,488
	2,297,124	2,603,643
Less: current portion	**1,075,861**	306,520
	1,221,263	2,297,123

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2012	1,075,861
2013	304,788
2014	286,032
2015	234,754
2016	230,682

2012 principal repayments include the total balances outstanding for the loans that are up for renewal October, 2012.

Long-term debt is subject to certain financial covenants with respect to current ratio, net worth and earnings with respect to operations within the Joint Venture. At October 31, 2011 and October 31, 2010, the venturer is in compliance with all such covenants.

7. Income taxes

	2011	*2010*
Future income tax assets:		
Property, plant and equipment	**4,221,915**	4,355,160
Cumulative eligible capital	**11,966**	12,867
Debt issue costs	**2,260**	3,135
Total future income tax assets	**4,236,141**	4,371,162
Future income tax liabilities:		
Property, plant and equipment	**4,374,120**	4,593,111
Total future income tax liabilities	**4,374,120**	4,593,111
Net future income tax liabilities	**(137,979)**	(221,949)
Effective tax rate	***13.5%***	*17.6%*
Future income taxes payable	**(18,627)**	(39,096)

The Company's effective tax rate approximates 13.5% on the first $500,000 of active business income earned in Saskatchewan. The tax rate is between 27% and 30% for active business income in excess of this amount.

The difference between the effective and actual income tax rates is insignificant, therefore a reconciliation has not been provided.

8. 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:

	2011	*2010*
Assets		
Current assets	**1,907,549**	1,519,979
Non-current assets	**4,434,638**	4,654,206
	6,342,187	6,174,185
Liabilities		
Current liabilities	**486,333**	388,654
Long-term liabilities	**1,992,335**	2,297,123
Equity	**3,863,519**	3,488,408
	6,342,187	6,174,185
Operating results		
Revenues	**8,504,081**	5,198,913
Expenses	**(8,028,968)**	(4,653,608)
	475,113	545,305
Cash flows		
Cash flows from operating activities	**548,229**	826,507
Cash flows from investing activities	**(200,392)**	(328,052)
Cash flows from financing activities	**(406,519)**	(111,389)
	(58,682)	387,066

9. Related party transactions

The Company conducts virtually all of its activities through its Joint Venture as disclosed in Note 8. This Joint Venture conducts a majority of its operations in accordance with grain handling and crop protection service supply agreements with Viterra Inc. who is a related party by virtue of being the other venturer in this Joint Venture. Included in sales is $8,482,560 ($5,179,692 - 2010) from Viterra Inc. while cost of goods sold and operating expenses include $6,227,352 ($2,935,656 - 2010) of purchases from Viterra Inc. At October 31, 2011 the amount receivable from Viterra Inc. was $498,075 ($48,437 on October 31, 2010). All of these transactions, as well as all transactions with the board of directors, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. 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.

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 Viterra Inc., who is also a participant in the CMI Terminal Joint Venture as discussed in Note 7.

10. Financial instruments *(Continued from previous page)*

Fair value disclosure

The Joint Venture classifies fair value measurements recognized in the balance sheet using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the Joint Venture to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

The carrying amounts of cash and short-term deposits, 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

The level within the fair value hierarchy of which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. At October 31, 2011 the Venture's cash was subject to Level 1 valuation.

Interest rate risk

Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilites, known as price risk. 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 with respect to its fixed and floating rate long-term debt.

Commodity price risk

The nature of the Company's activities exposes it to risks of changes in commodity prices related to crop inputs, that may occur between the time products are received on consignment from the supplier and the actual date of sale to customers. To mitigate a portion of this price risk, it has been determined that the Joint Venture would receive a set margin in the sale of the product, regardless of the price selling in the market.

11. Economic dependence

The Joint Venture markets substantially all of its services through an arrangement with Viterra Inc. The ability of the Company to sustain operations is dependent upon the continued operation of this arrangement. On October 31, 2011, the amount receivable from Viterra Inc. is $498,076 ($48,436 in 2010).

12. Capital management

The Company's objectives when managing capital is to ensure that sufficient capital reserves are maintained to facilitate the entity's ability to continue as a going concern, so that it can continue to provide returns for the venturers and benefits for other stakeholders through the provision of grain handling services, and also to allow the venture to take advantage of business opportunities that are connected to its core business.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may determine the amount of capital available to be distributed to the shareholders on an annual basis. The risk policies, procedures and objectives have not changed from the prior year.

The Company manages the following as capital:

	2011	*2010*
Share capital	**910,014**	1,253,664
Retained earnings	**2,670,670**	2,317,563
	3,580,684	3,571,227

13. Comparative figures

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

14. Application of new reporting requirements

The Canadian Accounting Standards Board (AcSB) has confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian GAAP for fiscal years beginning on or after January 1, 2011, for publicly accountable enterprises. For the Joint Venture, financial statements, including comparative information, for annual and interim periods beginning on or after November 1, 2011 will be prepared in accordance with IFRS.

Management is required to provide progress updates on the entity's IFRS changeover plan at each interim and annual reporting period up until the changeover date. An external advisor has been engaged by the Joint Venture to assist with development of the implementation plan and to perform a detailed review of major differences between Canadian GAAP and IFRS.

The Joint Venture has developed a changeover plan to adopt IFRS on November 1, 2011. The key elements of the plan include assessing the impact of adopting IFRS and taking preparatory action for transition. The key elements identified and addressed include:

Accounting policies – assessed through a diagnostic review of the Joint Venture's financial statements, and identification of key potential impact areas, beginning in 2009, until the changeover date. Standards related to areas of potential impact were reviewed in detail, and policy position papers developed on specific topics, for review and concurrence by management, the Board and the external auditor. The process has determined that no significant changes to accounting policies are required.

Internal controls over financial reporting – assessed throughout the project, as it relates to specific topics and policy positions. No significant changes were identified.

Disclosure controls and procedures – assessed throughout the project, as it relates to specific topics and policy positions. It has been determined that additional disclosure requirements, as well as the systems and processes to gather such information, will be expanded for 2012 forward.

Data system requirements – assessed throughout the project, as it relates to specific topics and policy positions. It has been determined that the data system changes are not significant for the Joint Venture's core systems for processing of accounting transactions, but additional processes may be required to meet the extensive disclosure requirements.

14. Application of new reporting requirements *(Continued from previous page)*

Business activities as well as matters that may be influenced by GAAP measures such as debt covenants, capital requirements and compensation arrangements were assessed throughout the project based on quantitative effects of IFRS requirements and policy choices. The total effects of IFRS on the Joint Venture's financial position have been determined to increase capital, resulting in no negative impacts.

Upon transition to IFRS, IFRS 1 First-time Adoption of International Financial Reporting Standards provides exemptions from full or partial retrospective application of certain IFRS's if management of the Joint Venture elects to use such exemptions. In addition, IFRS 1 details mandatory exceptions to retrospective application of certain standards. The following are transitional arrangements as permitted by IFRS 1 on changeover to IFRS, for which management has elected to adopt:

Exemptions

The Joint Venture has elected to use carrying amount under previous GAAP as the deemed cost for all items of property, plant and equipment

The Joint Venture has elected to apply IAS 23 Borrowing Costs to borrowing costs relating to qualifying assets for which commencement date for capitalization is on or after November 1, 2011.

Exceptions

Estimates made in accordance with IFRSs at the date of transition are consistent with estimates made in accordance with Canadian GAAP.

The Joint Venture will not recognize any financial assets or financial liabilities under IFRS that were derecognized under Canadian GAAP.

Impact

Management estimates the impact to the financial statements relating to the conversion to IFRS to result in an increase to the net book value of property, plant and equipment in the amount of $424,751 with a corresponding increase to the Joint Venture's capital of the same amount at October 31, 2011. The increase in net book value is a result of componentizating each asset and assigning each component an expected life to be amortized using the straight line method.