

**CMI Terminal Ltd.**  
**Consolidated Financial Statements**  
*October 31, 2013 and 2012*

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## Management's Responsibility

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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 International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the consolidated 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 consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. 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 and external auditors. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP 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 23, 2014

signed – Andrew Kolbeck  
General Manager of Operations

signed – Jackie Buhs  
Controller

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## Independent Auditors' Report

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To the Shareholders of CMI Terminal Ltd.:

We have audited the accompanying consolidated financial statements of CMI Terminal Ltd. and its subsidiary which comprise the Consolidated Statements of Financial Position as at October 31, 2013 and October 31, 2012 and the Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of consolidated 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 an audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe the audit evidence obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of CMI Terminal Ltd. and its subsidiary as at October 31, 2013 and October 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Melfort, Saskatchewan  
January 23, 2014

*MNP* LLP

Chartered Accountants

**CMI Terminal Ltd.**  
**Consolidated Statements of Financial Position**

*As at October 31*

	2013	2012
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	2,037,395	1,727,517
Accounts receivable	432,096	356,355
Inventory (Note 7.0)	616,821	-
Prepaid expenses and deposits	29,371	20,604
<b>Total current assets</b>	<b>3,115,683</b>	<b>2,104,476</b>
<b>Non-current assets</b>		
Property, plant and equipment (Note 8.0)	5,373,123	4,747,027
<b>Total assets</b>	<b>8,488,806</b>	<b>6,851,503</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals (Note 9.0)	1,651,932	113,773
Income taxes payable	40,953	159,576
Customer deposits	22,500	-
Current portion of long-term debt (Note 10.0)	281,034	1,249,663
<b>Total current liabilities</b>	<b>1,996,419</b>	<b>1,523,012</b>
<b>Non-current liabilities</b>		
Long-term debt (Note 10.0)	1,569,325	609,144
Deferred income taxes payable (Note 13.0)	67,684	69,261
<b>Total liabilities</b>	<b>3,633,428</b>	<b>2,201,417</b>
<b>Shareholders' equity</b>		
Share capital (Note 14.0)	497,673	875,854
Retained earnings	4,357,705	3,774,232
<b>Total shareholders' equity</b>	<b>4,855,378</b>	<b>4,650,086</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,488,806</b>	<b>6,851,503</b>

**Economic dependence** (Note 17.0)

**Subsequent event** (Note 18.0)

**Approved on behalf of the Board of Directors**

*signed - Fred Draude*

Director

*signed - Mark Fohse*

Director

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

**CMI Terminal Ltd.**  
**Consolidated Statements of Comprehensive Income**

*For the year ended October 31*

	<b>2013</b>	<b>2012</b>
<b>Sales</b>	<b>11,461,283</b>	10,677,175
<b>Cost of sales</b>	<b>8,280,540</b>	7,619,335
<b>Gross profit</b>	<b>3,180,743</b>	3,057,840
<b>Other income</b>	<b>11,285</b>	12,885
	<b>3,192,028</b>	3,070,725
<b>Administrative expenses</b>	<b>358,935</b>	243,417
<b>Operating expenses</b>	<b>1,353,613</b>	1,280,175
<b>Earnings from operations before income taxes, interest and depreciation</b>	<b>1,479,480</b>	1,547,133
<b>Interest on long-term debt</b>	<b>80,679</b>	116,445
<b>Earnings before income taxes and depreciation</b>	<b>1,398,801</b>	1,430,688
<b>Depreciation</b>	<b>434,729</b>	409,046
<b>Earnings before income taxes</b>	<b>964,072</b>	1,021,642
<b>Provision for (recovery of) income taxes (Note 13.0)</b>		
Current	<b>199,026</b>	225,433
Deferred	<b>(1,577)</b>	(11,175)
	<b>197,449</b>	214,258
<b>Total and comprehensive income</b>	<b>766,623</b>	807,384
<b>Earnings per share</b>		
Basic and diluted	<b>35.63</b>	35.24
<b>Weighted average number of common shares</b>	<b>21,515</b>	22,910

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

**CMI Terminal Ltd.**  
**Consolidated Statements of Changes in Equity**

*For the year ended October 31*

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	2013	2012
Retained earnings, beginning of period	3,774,232	3,067,140
Net earnings and comprehensive income	766,623	807,384
Share redemption premium	(183,150)	(100,292)
Retained earnings, end of period	4,357,705	3,774,232
Share capital, beginning of period	875,854	910,014
Capital distributions (Note 14.0)	(335,680)	-
Share redemptions (Note 14.0)	(42,501)	(34,160)
Share capital, end of period	497,673	875,854
<b>Total equity</b>	<b>4,855,378</b>	<b>4,650,086</b>

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

**CMI Terminal Ltd.**  
**Consolidated Statements of Cash Flows**

*For the year ended October 31*

	<b>2013</b>	<b>2012</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Total and comprehensive income	766,623	807,384
Depreciation	434,729	409,046
Deferred income taxes	(1,577)	(11,175)
	<b>1,199,775</b>	<b>1,205,255</b>
Changes in working capital accounts		
Accounts receivable	(75,741)	145,927
Inventory	(616,821)	-
Prepaid expenses and deposits	(8,767)	(1,752)
Accounts payable and accruals	1,538,154	(5,436)
Customer deposits	22,500	-
Provision for property demolition	-	(75,000)
Income taxes payable	(118,623)	160,383
Capital distributions payable	-	(343,650)
	<b>1,940,477</b>	<b>1,085,727</b>
<b>Financing activities</b>		
Advances of long-term debt	247,391	-
Repayments of long-term debt	(255,839)	(438,317)
Capital distributions	(335,680)	-
Redemption of shares	(225,651)	(134,452)
	<b>(569,779)</b>	<b>(572,769)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(1,060,820)	(261,963)
Proceeds on disposal of property, plant and equipment	-	500
	<b>(1,060,820)</b>	<b>(261,463)</b>
<b>Increase in cash and cash equivalents</b>	<b>309,878</b>	<b>251,495</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,727,517</b>	<b>1,476,022</b>
<b>Cash and cash equivalents, end of year</b>	<b>2,037,395</b>	<b>1,727,517</b>

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



**1.0 Reporting Entity**

CMI Terminal Ltd. ("the Company") was incorporated on June 4, 1998 under the laws of the Province of Saskatchewan.

The Company is domiciled near Naicam, Saskatchewan, Canada.

The address of the Company's registered office is PO Box 43, Naicam, Saskatchewan, S0K 2Z0.

**2.0 Description of Business**

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. The Joint Venture partners, CMI Terminal Ltd. and Viterra Inc. are 50% participants in the Joint Venture.

In 2005, the Company, through the Joint Venture operations, became involved in the crop production services business.

On May 15, 2013, CMI Terminal Ltd, incorporated CMI Ag Ltd. and received 100% of the shares. The company was incorporated for purposes of carrying on the crop production services business. As of October 11, 2013, CMI Terminal Ltd. withdrew its portion of equity related to their 50% share of the CPS assets from CMI Terminal Joint Venture and purchased the remaining 50% share of those assets from Viterra at their fair market value. The wholly owned subsidiary (CMI Ag Ltd.) carries on the operations of the CPS business and the financial information has been consolidated into the year-end financial statements of CMI Terminal Ltd.

**3.0 Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as at October 31, 2013.

**4.0 Basis at Preparation**

**4.1 Basis at Measurement**

Except for certain financial instruments measured at fair value, the consolidated financial statements have been prepared on the historical cost basis using the accrual basis of accounting, except for cash flow information. The principal accounting policies are set out in Note 6.0.

**4.2 Functional Currency**

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

**5.0 Significant Accounting Judgments, Estimates and Assumptions**

**Significant judgments**

*Determining cash generating units ("CGU's")*

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

**5.0 Significant Accounting Judgments, Estimates and Assumptions** *(continued from previous page)*

**Significant estimates**

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

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 one of the Venturers, the Joint Venture is responsible for any grade variances discovered when product reaches its destination by rail. Gains and losses resulting from grading of grains and oilseeds, which is subjective in nature, are recognized in the period they occur.

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

The current portion of long-term debt is calculated based upon repayment terms, and interest rates in effect at year end. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

**6.0 Summary of Significant Accounting Policies**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies are as follows:

**6.1 Basis of Consolidations**

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

**6.2 Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

**6.3 Property, Plant and Equipment**

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

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

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

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

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

**6.3 Property, Plant and Equipment** (continued from previous page)

The methods of depreciation, depreciation rates and useful life applicable for each class of asset during the current and comparative periods are as follows:

	<u>Method</u>	<u>Rate / Years</u>
Building	Straight line	5 – 40 years
Equipment	Straight line	3 – 40 years
CPS equipment	Straight line	5 – 40 years
Rail siding	Straight line	40 years
Vehicles	Straight line	3 – 10 years
Computer equipment	Straight line	5 years

The useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

**6.4 Impairment of Non-financial Assets**

At the end of each reporting date, the Company assesses whether there are any indicators of impairment for all non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to depreciation are tested annually for impairment. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, and tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating units (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU’s, or otherwise they are allocated to the smallest group of CGU’s for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**6.5 Impairment of Financial Assets**

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

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

At year-end, no impairment losses have been recognized (2012 - \$nil).

## **6.6 Borrowing Costs**

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

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

## **6.7 Joint Venture**

A joint venture consists of a joint arrangement where venturers do not have rights to individual assets or obligations for expenses of the joint venture; rather each venturer is entitled to a share of the outcome of the activities of the joint venture.

The Company reports its interests in joint ventures using the proportionate consolidation method. Therefore, the Statement of Financial Position of the Company includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The Statement of Comprehensive Income of the Company includes its share of the income and expenses of the jointly controlled entity – CMI Terminal Joint Venture.

Profit or losses arising from transactions with a joint venture are eliminated to the extent of the Company's interest in the relevant joint venture. The results recognized in the financial statements of the joint venture have been adjusted, where necessary, to ensure consistency with the accounting policies of the Company. CMI Terminal Ltd. combines its share of each of the assets, liabilities, income and expenses of jointly controlled entities with the similar items, line by line, in its financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Company.

## **6.8 Revenue Recognition**

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

Grain handling and related revenue is recognized upon grain settlement. Crop production services revenue is recognized when product is delivered to the customer.

## **6.9 Provisions**

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows that reflect current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

## **6.10 Inventory**

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

#### **6.11 Contingent Assets and Liabilities**

All contingent liabilities are continually reviewed to determine whether an outflow of economic benefits has become probable. Where a contingent liability becomes probable, a provision is recognized in the period in which the change in probability occurs. If at the end of the reporting period it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

All contingent assets are continually reviewed to ensure that the circumstances are appropriately reflected in the consolidated financial statements. Where the realization of an inflow of economic benefits with respect to a contingent asset becomes virtually certain, the asset and the related income are recognized.

#### **6.12 Income Tax**

Taxation on the profit or loss for the year is comprised of current and deferred tax.

Taxation is recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case the tax is recognized in equity.

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

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax basis. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each balance sheet date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

#### **6.13 Earnings Per Share**

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

#### **6.14 Financial Instruments**

Financial assets and financial liabilities are initially measured at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

##### **Financial assets at fair value through profit or loss:**

The Company has classified cash and cash equivalents at fair value through profit or loss. This is in accordance with the Company's risk management strategy since the individual instruments share the same risk exposure. Transactions to purchase or sell these items are recorded on the settlement date.

Financial instruments at fair value through profit or loss are subsequently measured at their fair value.

##### **Loans and receivables:**

The Company has classified accounts receivable as loans and receivables.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus any reduction for impairment or uncollectability.

**6.14 Financial Instruments** *(continued from previous page)*

**Financial liabilities at amortized cost:**

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

Financial liabilities measured at amortized cost are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount.

**6.15 Operating Segments**

During the year, the Company had two segments as follows:

- Grain handling; and
- Crop production services ("CPS").

At September 22, 2013, the CPS segment was discontinued in the Joint Venture and operations were carried on by CMI Ag Ltd., the wholly owned subsidiary. Therefore, amounts for this segment are shown at 50% (the proportionate share of operations in the Joint Venture) until September 22, 2013 and at 100% from September 22 to October 31, 2013.

There are no significant inter-segment transactions (see Note 16.0).

**6.16 Fair Value Measurements**

The Company classifies fair value measurements recognized in the Statement of Financial Position 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 Company 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.

**6.17 Standards Issued But Not Yet Effective**

**Financial instruments**

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primary unchanged from IAS 39, other than the fair value measurement option which now addresses an entity's own credit risk. Additional amendments are expected with respect to de-recognition of financial instruments, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company has not yet determined the impact of this amendment on its consolidated financial statements.

**6.17 Standards Issued But Not Yet Effective** *(continued from previous page)*

**Consolidated financial statements**

IFRS 10, issued in May 2011, provides a single basis of consolidation for all entities. The principle of control is based on three criteria: power over the investee; exposure to variable returns from involvement in the investee; and the ability of the investor to use its power to affect the amount of its returns. The standard, which supersedes SIC-12 Consolidation – Special purpose entities and the requirements in IAS 27 Consolidated and separate financial statements relating to consolidated financial statements, is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of this amendment on its consolidated financial statements.

**Joint arrangements**

IFRS 11, issued in May 2011, classifies joint arrangements as either joint operations or joint ventures based on the contractual rights and obligations of the arrangement rather than its legal form. Joint venturers use the equity method to account for their interest in the joint venture as proportionate consolidation is no longer permissible. Joint operators recognize and measure the relevant assets, liabilities, income and expenses based on applicable IFRS's, in relation to their interest in the arrangement. The standard, which supersedes IAS 31 Joint ventures and SIC 13 Jointly controlled entities – Non-monetary contributions by venturers, is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of this amendment on its consolidated financial statements.

**Disclosures of interests in other entities**

IFRS 12, issued in May 2011, contains enhanced disclosure requirements for interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It replaces the disclosure requirements in existing IAS 27 – Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. The standard only affects disclosure and is effective for annual periods beginning on or after January 1, 2013.

**Fair value measurement**

IFRS 13, issued in May 2011, redefines fair value to emphasize that it is a market-based measurement, not an entity-specific measurement. It also provides a single framework for measuring fair value and applies, with limited exceptions, when another standard permits or requires fair value measurement. In addition, IFRS 13 required specific disclosures about fair value measurement. The standard is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of this amendment on its financial statements.

**7.0 Inventory**

	2013	2012
Chemical	154,393	-
Fertilizer	262,058	-
Seed	47,650	-
Agriculture Equipment	55,704	-
NH3	97,016	-
	<hr/>	<hr/>
Total Inventory	616,821	-
	<hr/>	<hr/>

**CMI Terminal Ltd.**  
**Notes to Consolidated Financial Statements**  
*For the years ended October 31, 2013 and 2012*

**8.0 Property, Plant and Equipment**

	<u>Building</u>	<u>Equip- ment</u>	<u>CPS Equip- ment</u>	<u>Rail Siding</u>	<u>Vehicles</u>	<u>Land</u>	<u>Computer Equip- ment</u>	<u>Total</u>
<b>Cost</b>								
Balance, Oct 31, 2011	5,452,821	1,571,696	402,806	168,691	217,752	62,213	75,912	7,951,891
Additions	-	241,296	14,585	-	-	-	6,085	261,966
Disposals	-	-	-	-	-	(500)	-	(500)
Balance, Oct 31, 2012	5,452,821	1,812,992	417,391	168,691	217,752	61,713	81,997	8,213,357
Additions	-	549,414	194,316	-	294,961	22,132	-	1,060,820
Disposals	-	-	-	-	-	-	-	-
<b>Balance, Oct 31, 2013</b>	<b>5,452,821</b>	<b>2,362,406</b>	<b>611,709</b>	<b>168,691</b>	<b>512,713</b>	<b>83,845</b>	<b>81,997</b>	<b>9,274,182</b>
<b>Depreciation</b>								
Balance, Oct 31, 2011	1,790,989	921,851	226,291	5,271	70,874	-	42,005	3,057,281
Depreciation charge	203,780	134,950	34,871	4,217	23,007	-	8,224	409,049
Disposals	-	-	-	-	-	-	-	-
Balance, Oct 31, 2012	1,994,769	1,056,801	261,162	9,488	93,881	-	50,229	3,466,330
Depreciation charge	203,853	148,475	36,047	4,218	33,515	-	8,621	434,729
Disposals	-	-	-	-	-	-	-	-
<b>Balance, Oct 31, 2013</b>	<b>2,198,622</b>	<b>1,205,276</b>	<b>297,209</b>	<b>13,706</b>	<b>127,396</b>	<b>-</b>	<b>58,850</b>	<b>3,901,059</b>
Net book value, Oct 31, 2012	3,458,052	756,191	156,229	159,203	123,871	61,713	31,768	4,747,027
<b>Net book value, Oct 31, 2013</b>	<b>3,254,199</b>	<b>1,157,130</b>	<b>314,500</b>	<b>154,985</b>	<b>385,317</b>	<b>83,845</b>	<b>23,147</b>	<b>5,373,123</b>

**9.0 Accounts Payable**

Accounts payable consist of the following amounts:

	<u>2013</u>	<u>2012</u>
Trade accounts payable	<b>1,570,938</b>	46,125
Accrued wages payable	<b>80,992</b>	67,648
Total	<b><u>1,651,930</u></b>	<u>113,773</u>



**CMI Terminal Ltd.**  
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**10.0 Long-term Debt**

	<b>October 31 2013</b>	<b>October 31 2012</b>
Term loan payable in monthly instalments of \$8,333 plus interest at 4.93%, secured by building with a net book value of \$1,635,147, with current term maturing in 2016.	<b>1,018,982</b>	1,118,983
Term loan repayable in monthly instalments of \$10,890 plus interest at 3.98%, secured by a general security agreement, with current term maturing in 2015.	<b>609,144</b>	739,824
Term loan payable in monthly instalments of \$4,193 plus interest at prime plus 0.5%. (3.5% at October 31, 2013), secured by general security agreement, with current term maturing 2016.	<b>222,233</b>	-
	<b>1,850,359</b>	1,858,807
Less: current portion	<b>281,034</b>	1,249,663
	<b>1,569,325</b>	609,144

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

2014	281,034
2015	281,034
2016	281,034
2017	281,034
2018	281,034
Thereafter	445,189
Total	1,850,359

Long-term debt is subject to certain financial covenants with respect to current ratio, net worth and earnings. As at October 31, 2013, the Company is in compliance with all such covenants.

**11.0 Related Party Transactions**

All export bound shipments from the Joint Venture terminal are consigned to Viterra Inc., a venturer. Therefore, the Company receives its handling revenues through Viterra Inc.

Substantially all products sold through the crop production services business were acquired from Viterra Inc. until September 22, 2013. Up to the date of September 22, 2013, the Company received its crop production service revenues through Viterra Inc. After the above date, the revenue is obtained directly from the producer sales.

Of the \$10,032,018 (October 31, 2012 - \$10,662,130) sales and \$7,102,763 (October 31, 2012 - \$7,619,335) purchases made in the current period with Viterra Inc., \$174,178 (October 31, 2012 - \$350,938) is receivable at October 31, 2013. The balance receivable bears no interest and is payable upon invoicing. No provision for doubtful debts has been recognized in relation to the outstanding balance.

The transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value and is the amount of consideration established and agreed upon by the related parties.

On October 11, 2013, the Company withdrew its share of equity in the property, plant and equipment related to the discontinued crop production segment of the Joint Venture. The Company's share of equity withdrawn was equal to 50% of the net book value of all the related assets, which totalled \$531,962. The Company then purchased Viterra's 50% share at fair market value totalling \$734,000. At the completion of the transaction, the Company obtained title to all assets related to the crop production segment.

**11.0 Related Party Transactions** *(continued from previous page)*

All transactions with CMI Ag Ltd. have been eliminated upon consolidation. A total of \$7,928 representing CMI Terminal Ltd.'s 50% share of balances owing to CMI Terminal Joint Venture has been recorded in accounts payable at October 31, 2013.

**Key management personnel**

Key management personnel consists of Directors, the General Manager, the Controller, the Manager of Procurement and Grain Operations and the Manager of Ag Sales and Services.

**Compensation of directors and key management personnel**

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

Compensation paid during the year ended October 31, 2013 to key management personnel totalled \$166,251 (October 31, 2012 - \$182,101).

**Other transactions with directors**

During the year ended October 31, 2013, the Company, by way of the Joint Venture, purchased grains from the directors or corporations controlled by directors which resulted in revenue of \$112,023 (October 31, 2012 - \$125,044) to the Company. The Company also made sales to the directors or corporations controlled by directors for crop input products totalling \$354,703 (October 31, 2012 - \$364,525). The sales were made on the same terms and conditions available to all other customers. Of these amounts, \$nil is receivable at October 31, 2013 (October 31, 2012 - \$nil).

**12.0 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 hierarchy**

Cash and cash equivalents valued at fair value on the Statement of Financial Position are classified in the fair value hierarchy as Level 1.

**Financial instruments carrying values and fair values**

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 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.

**Risk management policy**

The Company is exposed to a variety of financial risks as part of its operations including the following:

- interest rate
- price
- credit
- liquidity
- foreign exchange

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

**12.0 Financial Instruments** *(continued from previous page)*

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through minimizing exposure to long-term financial instruments subject to interest rate risk and obtaining long-term debt with fixed rates. The Company does not speculate on interest rates.

The Company is exposed to interest rate risks with respect to its long-term debt. A 1.0% increase or decrease in interest rates relating to the Company's long-term debt could increase annual interest expense by \$18,504.

**Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The nature of the Company's activities exposes it to risks of changes in commodity prices related to crop inputs that may occur between the time products are received from the supplier and the actual date of sale to customers.

**Credit risk**

Credit risk is the risk of a financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk consists primarily of accounts receivable. The Company minimizes its exposure to credit risk by having ownership of grain transfer directly from each producer to Viterra Inc. at time of purchase.

Amounts receivable from Viterra Inc., a venturer as described in Note 1.0, represent 40% of the total consolidated accounts receivable at October 31, 2013 (October 31, 2012 – 98%).

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and services on credit, borrow funds from financial institutions or other creditors and lease office equipment from various creditors for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

Contractual maturities of long-term debt are disclosed in Note 10.0.

Accounts payable and accruals are current and scheduled for payment within the next fiscal year.

**Foreign exchange risk**

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

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**13.0 Income Taxes**

	<b>October 31 2013</b>	<b>October 31 2012</b>
Deferred income tax assets:		
Property, plant and equipment	<b>4,757,624</b>	4,140,027
Cumulative eligible capital	<b>10,349</b>	11,128
Debt issue costs	<b>657</b>	1,386
	<b>4,768,630</b>	4,152,541
 Total deferred income tax assets	 <b>4,768,630</b>	 4,152,541
Deferred income tax liabilities:		
Property, plant and equipment	<b>5,289,273</b>	4,685,315
	<b>5,289,273</b>	4,685,315
 Total deferred income tax liabilities	 <b>5,289,273</b>	 4,685,315
Net deferred income tax liabilities	<b>520,643</b>	532,774
Effective tax rate	<b>13.0%</b>	13.0%
	<b>67,684</b>	69,261
 Deferred income taxes payable	 <b>67,684</b>	 69,261

The Company's effective tax rate approximates 13% on the first \$500,000 of active business income earned in Saskatchewan. The tax rate is between 27% and 30% for active business in excess of this amount.

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

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**14.0 Share Capital**

	<b>2013</b>	<b>2012</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 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		
20,980 Class A common shares (22,050 at Oct 31, 2012)	<b>497,673</b>	<b>875,854</b>
<b>Common shares</b>	<b>#</b>	<b>\$</b>
Balance October 31, 2011	<b>22,910</b>	910,014
Share Redemptions	<b>(860)</b>	(34,160)
Balance October 31, 2012	<b>22,050</b>	875,854
Capital distributions	-	(335,680)
Share redemptions	<b>(1,070)</b>	(42,501)
Balance October 31, 2013	<b>20,980</b>	<b>497,673</b>

During the year ended October 31, 2013, the Company approved to return to the shareholders, capital of \$16 per share, totalling \$335,680 (October 31, 2012 - \$nil). The return of capital was approved March 27, 2013 and paid out on April 2013.

During the year ended October 31, 2013, 1,070 (860 – October 2012) Class A common shares were redeemed for cash consideration of \$225,651 (\$134,452 – October 31, 2012). Of this amount, \$40 per share totalling \$42,501 (\$34,160 – October 2012) represented a reduction in share capital, while \$171 per share totalling \$183,150 (\$117 per share for a total of \$100,292 – October 2012) was charged to retained earnings as a premium on share repurchase.

**15.0 Capital Management**

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

The capital structure of the Company is as follows:

	<b>October 31 2013</b>	<b>October 31 2012</b>
Current portion of long-term debt	<b>281,034</b>	1,249,663
Long-term debt	<b>1,569,325</b>	609,144
Share capital	<b>497,673</b>	875,854
Retained earnings	<b>4,357,705</b>	3,774,232

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 adjust the amount of distributions to shareholders or sell assets to reduce debt.

The Company does not establish quantitative return on capital criteria for management, but rather promotes goals for sustainable operations.

The Company is bound by certain externally imposed covenants on its long-term debt. These covenants place restrictions on total debt based on the Company's current ratios, earnings before interest, depreciation, set minimum levels for debt service coverage and a number of operating restrictions. During the year ended October 31, 2013, the Company complied with the capital requirements.

Within the 2014 fiscal period, management does not expect its activities to be constrained by any of its debt covenants.

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**16.0 Segmented Information**

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

**a. Grain handling**

This segment consists of the buying, selling, cleaning and drying of grain,

**b. Crop production services ("CPS")**

This segment consists of sales of fertilizer, crop protection products, seed and seed treatments.

As at September 22, 2013, CMI Ag Ltd. (the wholly owned subsidiary), took over operations of the CPS division.

The financial information in relation to sales of CPS products from September 22 to the end of the year have been included with the CPS segment information below. Please refer to Note 2.0 for a detailed description of the business.

**16.1 Segmented Total and Comprehensive Income**

**October 31, 2013**

	<u>Corporate Costs</u>	<u>Grain Handling</u>	<u>CPS</u>	<u>Total</u>
Sales	-	1,871,756	9,589,527	11,461,283
Cost of sales	-	77,343	8,203,197	8,280,540
Gross profit	-	1,794,413	1,386,330	3,180,743
Other income	1,018	10,267	-	11,285
	1,018	1,804,680	1,386,330	3,192,028
Administrative expenses	111,548	148,045	99,342	358,935
Operating expenses	45,277	788,714	519,622	1,353,613
Interest on long-term debt	4,294	76,385	-	80,679
Depreciation	21,928	334,169	78,632	434,729
Income taxes	173,790	-	23,659	197,449
<b>Total and comprehensive income (loss)</b>	<b>(368,086)</b>	<b>457,367</b>	<b>670,789</b>	<b>766,623</b>

**October 31, 2012**

	<u>Corporate Costs</u>	<u>Grain Handling</u>	<u>CPS</u>	<u>Total</u>
Sales	-	1,950,421	8,726,754	10,677,175
Cost of sales	-	98,245	7,521,090	7,619,335
Gross profit	-	1,852,176	1,205,664	3,057,841
Other income	3,046	9,839	-	12,885
	3,046	1,862,017	1,205,664	3,070,726
Administrative expenses	88,395	118,382	36,640	243,417
Operating expenses	21,943	870,210	388,022	1,280,175
Interest on long-term debt	-	116,445	-	116,446
Depreciation	433	315,078	93,535	409,046
Income taxes	214,258	-	-	214,258
<b>Total and comprehensive income (loss)</b>	<b>(321,983)</b>	<b>441,902</b>	<b>687,467</b>	<b>807,384</b>

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**16.2 Segmented Property, Plant and Equipment:**

	<u>Corporate</u>	<u>Grain Handling</u>	<u>CPS</u>	<u>Total</u>
<b>Cost</b>				
Balance, Oct 31, 2011	7,907	7,094,336	849,648	7,951,891
Additions	-	22,514	239,450	261,964
Disposals	-	(500)	-	(500)
	<u>7,907</u>	<u>7,116,350</u>	<u>1,089,098</u>	<u>8,213,357</u>
Balance, Oct 31, 2012	7,907	7,116,350	1,089,098	8,213,357
Additions	-	48,093	1,012,729	1,060,820
	<u>7,907</u>	<u>7,164,443</u>	<u>2,101,830</u>	<u>9,274,182</u>
<b>Balance, Oct 31, 2013</b>	<b>7,907</b>	<b>7,164,443</b>	<b>2,101,830</b>	<b>9,274,182</b>
<b>Depreciation</b>				
Balance, Oct 31, 2011	7,258	2,702,452	347,571	3,057,281
Depreciation charge	433	315,078	93,536	409,049
Disposals	-	-	-	-
	<u>7,691</u>	<u>3,017,530</u>	<u>441,107</u>	<u>3,466,330</u>
Balance, Oct 31, 2012	7,691	3,017,530	441,107	3,466,330
Depreciation charge	216	334,169	100,344	434,728
Withdrawal of equity in assets from Joint Venture	-	-	-	-
	<u>7,907</u>	<u>3,351,699</u>	<u>541,451</u>	<u>3,901,059</u>
<b>Balance Oct 31, 2013</b>	<b>7,907</b>	<b>3,351,699</b>	<b>541,451</b>	<b>3,901,059</b>
Net book value, Oct 31, 2012	216	4,098,820	647,991	4,747,027
<b>Net book value, Oct 31, 2013</b>	<b>-</b>	<b>3,812,744</b>	<b>1,560,379</b>	<b>5,373,123</b>

**17.0 Economic Dependence**

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

The parties to the Joint Venture have entered into a long-term service agreement with Canadian Pacific Railway to provide rail service to the Joint Venture.

**18.0 Subsequent Event**

Subsequent to year-end, the Company signed a credit facility with the Bank of Nova Scotia with a credit limit of \$1,122,234, of which an amount of \$222,234 was advanced prior to October 31, 2013. This portion of debt was refinanced as part of the new facility agreement. The remaining \$900,000 received related to the purchase of the CPS assets from Viterra Inc. and costs associated with the purchase. The Company has also guaranteed the debt of their subsidiary (CMI Ag Ltd.) to an unlimited amount.