CMI Terminal Ltd.
Consolidated Financial Statements
December 31, 2016 and December 31, 2015

Contents

Independent Auditors' Report

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 statement of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and December 31, 2015 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting 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 consolidated financial position of CMI Terminal Ltd. and its subsidiary as at December 31, 2016 and December 31, 2015 and their consolidated financial performance and their cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

Melfort, Saskatchewan

March 10, 2017

MNP LLP

Chartered Professional Accountants

CMI Terminal Ltd.
Consolidated Statement of Financial Position
As at December 31, 2016

	2016	*2015*
Assets		
Current		
Cash and cash equivalents	**1,083,911**	1,244,760
Accounts receivable *(Note 6)*	**160,430**	5,087
Inventory *(Note 7)*	**2,868,208**	3,180,035
Due from related parties *(Note 11)*	**224,779**	161,871
Prepaid expenses and deposits	**2,168,953**	2,002,355
Total current assets	**6,506,281**	6,594,108
Non-current assets		
Investment in Joint Venture *(Note 13)*	**3,106,234**	2,782,869
Investments *(Note 12)*	**90,667**	-
Property, plant and equipment *(Note 8)*	**1,216,426**	1,202,625
Total assets	**10,919,608**	10,579,602
Liabilities		
Current		
Bank indebtedness *(Note 9)*	**2,153,000**	1,696,000
Accounts payable and accruals	**1,319,997**	1,950,364
Income taxes payable	**46,567**	22,664
Due to related parties *(Note 11)*	**2,205**	3,616
Customer deposits	**836,451**	701,901
Current portion of long-term debt *(Note 10)*	**189,720**	197,316
Term loans subject to refinancing *(Note 10)*	**298,040**	-
Total current liabilities	**4,845,980**	4,571,861
Non-current liabilities		
Long-term debt *(Note 10)*	**-**	478,398
Deferred income taxes payable *(Note 16)*	**76,092**	73,868
Total liabilities	**4,922,072**	5,124,127
Shareholders' equity		
Share capital *(Note 15)*	**489,560**	489,560
Retained earnings	**5,507,976**	4,965,915
Total shareholders' equity	**5,997,536**	5,455,475
Total liabilities and shareholders' equity	**10,919,608**	10,579,602

Approved on behalf of the Board of Directors

signed - Fred Draude
Director

signed - Mark Fouhse
Director

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

CMI Terminal Ltd.
Consolidated Statement of Income and Comprehensive Income
For the year ended December 31, 2016

	2016	*2015*
Revenue	**12,825,483**	13,367,431
Cost of sales	**11,168,060**	11,388,398
Gross profit	**1,657,423**	1,979,033
Income from Joint Venture *(Note 13)*	**823,365**	576,709
Other income	**195,116**	77,089
	2,675,904	2,632,831
Administrative expenses	**405,991**	314,529
Operating expenses	**977,020**	1,124,294
Earnings from operations before income taxes, interest and depreciation	**1,292,893**	1,194,008
Interest on long-term debt	**14,701**	26,187
Earnings before income taxes and depreciation	**1,278,192**	1,167,821
Depreciation *(Note 8)*	**201,701**	213,068
Earnings before income taxes	**1,076,491**	954,753
Provision for income taxes *(Note 16)*		
Current	**222,636**	203,769
Deferred	**2,224**	15,783
	224,860	219,552
Total comprehensive income	**851,631**	735,201
Earnings per share		
Basic and diluted	**41.27**	**35.33**
Weighted average number of common shares	**20,638**	20,809

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

	2016	*2015*
Retained earnings, beginning of period	**4,965,915**	4,615,524
Comprehensive income	**851,631**	735,201
Dividends paid	**(309,570)**	(309,570)
Share redemption premium	**-**	(75,240)
Retained earnings, end of period	**5,507,976**	4,965,915
Share capital, beginning of period	**489,560**	497,673
Share redemptions *(Note 15)*	**-**	(8,113)
Share capital, end of period	**489,560**	489,560
Total equity	**5,997,536**	5,455,475

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

CMI Terminal Ltd.
Consolidated Statement of Cash Flows
For the year ended December 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Total comprehensive income	**851,631**	735,201
Depreciation	**201,701**	213,068
Loss on sale of property, plant and equipment	**1,479**	-
Share of CMI Terminal Joint Venture earnings	**(823,365)**	(576,709)
Increase in equity investments	**(90,667)**	-
Deferred income taxes	**2,224**	15,783
Cash from operations before the following	**143,003**	387,343
Changes in working capital accounts		
Accounts receivable	**(155,343)**	315,580
Due from related parties	**(62,908)**	(26,577)
Inventory	**311,827**	(784,309)
Prepaid expenses and deposits	**(166,598)**	(901,140)
Accounts payable and accruals	**(630,360)**	96,762
Customer deposits	**134,550**	128,524
Due to related parties	**(1,411)**	(174,872)
Income taxes payable	**23,903**	109,721
Cash used in operating activities	**(403,337)**	(848,968)
Financing activities		
Advances of bank indebtedness, net	**457,000**	1,479,000
Repayments of long-term debt	**(187,956)**	(209,571)
Payment of dividends	**(309,570)**	(384,810)
Redemption of shares	**-**	(8,113)
Cash provided by (used for) financing activities	**(40,526)**	876,506
Investing activities		
Cash withdrawals from CMI Terminal Joint Venture	**500,000**	900,000
Purchases of property, plant and equipment	**(223,286)**	(40,525)
Proceeds on disposal of property, plant and equipment	**6,300**	-
Cash provided by investing activities	**283,014**	859,475
Increase (decrease) in cash and cash equivalents	**(160,849)**	887,013
Cash and cash equivalents, beginning of year	**1,244,760**	357,747
Cash and cash equivalents, end of year	**1,083,911**	1,244,760

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

1. Reporting entity and description of business

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

The Company is domiciled in Canada near Naicam, Saskatchewan.

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

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

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

The consolidated financial statements were approved by those charged with governance and authorized for issue on March 10, 2017.

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

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

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with accounting policies consistent 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 December 31, 2016.

Basis of measurement

Except for certain financial instruments measured at fair value, the consolidated financial statements have been prepared on the historical cost.

Functional currency

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

3. Adoption of new and amended IFRS pronouncements

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on or after January 1, 2016. Unless otherwise disclosed, the adoption of these new standards did not have a material impact on the consolidated financial statements.

3. Adoption of new and amended IFRS pronouncements *(Continued from previous page)*

IAS 1 Presentation of Financial Statements

In December 2014, the International Accounting Standards Board (IASB) issued amendments to IAS 1, incorporated into Part I of the CPA Canada Handbook - Accounting by the Accounting Standards Board (AcSB) in April 2015. The amendments are part of the IASB's Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgment when preparing their financial statements. The amendments are summarized below.

Materiality:

- Clarify that entities shall not aggregate or disaggregate information in a manner that obscures useful information;
- Clarify that materiality requirements apply to the statements of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statements of changes in equity, and to the notes; and
- Clarify that when a standard requires a specific disclosure, the resulting information shall be assessed to determine whether it is material and consequently whether presentation or disclosure of that information is warranted.

Presentation of statements of financial position and profit or loss and other comprehensive income:

- Clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements; and
- Clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will be subsequently reclassified to profit or loss.

Notes:

- Clarify that entities have flexibility as to the order in which they present the notes, but also emphasize that understandability and comparability should be considered by an entity when deciding that order; and
- Remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

These amendments only effect financial statement presentation and disclosure and are effective for annual periods beginning on or after January 1, 2016. The adoption of IAS 1, did not have a material impact on the financial statements.

4. Significant accounting judgments, estimates and assumptions

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

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 judgment. 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.

Significant estimates

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Inventory is valued using the weighted average method. Inventory values are adjusted as required if values decline during the period. Adjustments and allowances for spoiled or damaged inventory are completed as needed throughout the year.

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

4. Significant accounting judgments, estimates and assumptions *(Continued from previous page)*

The calculation of deferred income tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements from changes in such estimates in future years could be significant.

Management must also determine whether a financial asset is impaired. Management evaluated the extent that fair value declines and market assumptions about the decline, in value in order to determine if an impairment adjustment is necessary.

The calculation to determine accrued revenue from supplier rebates, uses managements best estimate based on the agreed upon rate between the supplier and CMI Ag, as well as the amount of product purchased from the supplier. Management uses this information to determine the estimate for accrued black box revenue 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.

5. 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:

Basis of consolidation

These consolidated financial statements include the accounts of CMI Terminal Ltd., and the financial accounts of its wholly owned subsidiary, CMI Ag Ltd. Inter-entity balances and transactions are eliminated. Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Any balances, unrealized gains and losses, or income and expenses arising from intra-Company transactions, are eliminated upon consolidation.

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.

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.

Property, plant and equipment 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.

5. Summary of significant accounting policies *(Continued from previous page)*

The Company uses the straight-line method to calculate depreciation on the following rates:

	Rate / Years
Building	5 – 40 years
Equipment	3 – 40 years
Crop protection equipment	5 – 40 years
Anhydrous equipment	10 years
Vehicles	3 – 10 years
Computer equipment	5 years

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

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.

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.

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 equity method. Therefore, the statement of financial position shows the total investment in the joint venture and the statement of comprehensive income includes the 50% share of income from the joint venture.

The financial statements of the Joint Venture are prepared for the same reporting period as the Company.

5. Summary of significant accounting policies *(Continued from previous page)*

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.

Foreign currency translation

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

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

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.

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.

Investments

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

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.

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.

5. Summary of significant accounting policies *(Continued from previous page)*

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.

Earnings per share

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

Financial 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, cash equivalents, bank indebtedness, and investments at fair value through profit (loss).

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

Financial assets at fair value through profit (loss) are subsequently measure at their fair value.

Loans and receivables

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

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

Financial liabilities at amortized cost

The Company has classified accounts payable and accruals, amounts due to related parties, and long-term debt as financial liabilities measured at amortized cost.

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

5. Summary of significant accounting policies *(Continued from previous page)*

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.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as a December 31, 2016 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 9 - Financial instruments

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39 Financial instruments: recognition and measurement. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018. The Company has not yet determined the impact of the standard on its financial statements

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers, and SIC 31 Revenue – barter transactions involving advertising services.

Amendments to IFRS 15, issued in April 2016, clarify some requirements and provide additional transition relief for when an entity first applies IFRS 15.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has determined that there will not be a significant impact to their financial statement due to this standard.

6. Accounts receivable

	2016	2015
Trade receivables	**88,176**	3,073
Goods and Services Tax receivable	**-**	2,014
Supplier rebates	**72,254**	-
	160,430	5,087

7. Inventory

	2016	2015
Chemical	**1,570,569**	1,665,310
Fertilizer	**725,700**	260,773
Seed	**476,349**	964,157
Agriculture equipment	**-**	119,618
NH3	**95,590**	170,177
Total inventory	**2,868,208**	3,180,035

The cost of inventories recognized as an expense and included in cost of sales amounts to $11,030,760 (2015 - $11,361,722).

8. Property, plant and equipment

	Equipment	**Crop protection Equipment**	**Vehicles**	**Land**	**Anhydrous Equipment**	**Total**
Cost						
Balance, Dec 31, 2014	15,030	736,355	259,269	33,198	1,135,149	2,179,001
Additions	40,527	-	-	-	-	40,527
Balance, Dec 31, 2015	55,557	736,355	259,269	33,198	1,135,149	2,219,528
Additions	25,724	158,599	38,963	-	-	223,286
Disposals	-	(9,554)	-	-	-	(9,554)
Balance, Dec 31, 2016	**81,281**	**885,400**	**298,232**	**33,198**	**1,135,149**	**2,433,260**
Depreciation						
Balance, Dec 31, 2014	8,383	435,951	124,432	-	235,070	803,836
Depreciation charge	1,907	65,898	37,471	-	107,791	213,067
Balance, Dec 31, 2015	10,290	501,849	161,903	-	342,861	1,016,903
Depreciation charge	9,358	54,404	28,596		109,343	201,701
Disposals	-	(1,770)	-	-	-	(1,770)
Balance, Dec 31, 2016	**19,648**	**554,483**	**190,499**	**-**	**452,204**	**1,216,834**
Net book value, Dec 31, 2015	45,267	234,506	97,366	33,198	792,288	1,202,625
Net book value, Dec 31, 2016	**61,633**	**330,917**	**107,733**	**33,198**	**682,945**	**1,216,426**

9. Bank indebtedness

Bank indebtedness includes an operating loan in the amount of $2,153,000 (2015 - $1,696,000) and bears interest at prime plus 0.25%. The Company is subject to certain borrowing conditions and debt covenants, relating to having sufficient levels of inventory and accounts receivable. The Company is in compliance with all covenants at December 31, 2016. Security on the operating line is a general security agreement. Bank indebtedness is authorized to a maximum of $6,000,000 (2015 - $5,000,000), and is repayable on demand.

10. Long-term debt

	2016	2015
Term loan payable in monthly instalments of $11,617 plus interest at 2.60%, secured by a general security agreement, with current term maturing in 2017	**424,860**	562,500
Term loan payable in monthly instalments of $4,193 plus interest at 2.60%, secured by a general security agreement, with current term maturing in 2017	**62,900**	113,214
	487,760	675,714
Less: current portion	**189,720**	197,316
Term loans subject to refinancing	**298,040**	-
	-	478,398

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

2017	189,720
2018	151,988
2019	139,404
2020	6,648

Long-term debt is subject to certain financial covenants with respect to tangible net worth and interest coverage ratio. As at December 31, 2016, the Company was in compliance with all such covenants.

11. Related party transactions

During the year ended December 31, 2016, payroll expenses totaling $1,890,313 (2015 - $1,745,781) were paid by CMI Terminal Ltd., with $1,294,594 being reimbursed by CMI Joint Venture.

During the year ended December 31, 2016, other operating and administrative expenses totaling $19,846 (2015 - $18,177) were paid by the Joint Venture and reimbursed by CMI Terminal Ltd.

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.

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

11. Related party transactions *(Continued from previous page)*

Of these amounts, the following balances are recorded on the consolidated statement of financial position:

	December 31 2016	December 31 2015
Due from CMI Joint Venture	**224,779**	161,871
Due to CMI Joint Venture	**(2,205)**	(3,616)

Key management personnel

Key management personnel consists of Directors, the General Manager, and the Controller.

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.

Total compensation paid during the year ended December 31, 2016, to key management personnel, totaled $344,561 (2015 - $322,579).

Other transactions with directors

During the year ended December 31, 2016, the Company made $804,977 sales of crop inputs to directors or corporations controlled by directors (2015 - $559,089). Of the total revenue reported from the Joint Venture, $56,835 (2015 - $94,040) was generated as a result of transactions with Directors. The sales and purchases were made on the same terms and conditions available to all other customers. Of these amounts, $nil is receivable at December 31, 2016 (2015 - $nil).

12. Investments

	2016	2015
United Suppliers Equity	**88,750**	-
Co-op Equity	**1,917**	-
	90,667	-

13. Investment in Joint Venture

CMI Terminal Ltd. is a 50% venturer in CMI Terminal Joint Venture. A summary of the information from the Joint Venture's December 2016 financial statements is disclosed below. A summary of the nature of the Joint Venture's operations is disclosed in Note 1.

Reconciliation of Investment in Joint Venture per Statement of Financial Position

Investment in Joint Venture – December 31, 2014	$3,106,160
Share of Joint Venture income for year ended December 31, 2015	576,709
Cash withdrawals for year ended December 31, 2015	(900,000)
Investment in Joint Venture – December 31, 2015	$2,782,869
Share of Joint Venture income for year ended December 31, 2016	823,365
Cash withdrawals for year ended December 31, 2016	(500,000)
Investment in Joint Venture –December 31, 2016	**$3,106,234**

Summary information of CMI Terminal Joint Venture net assets

	2016	2015
Current assets	**2,015,952**	1,809,579
Cash and cash equivalents included in above	**1,762,087**	1,403,402
Non-current assets	**6,295,373**	6,434,194
Current liabilities	**2,098,858**	882,759
Non-current liabilities	**-**	1,795,276

CMI Terminal Joint Venture's Statement of Comprehensive Income

	2016	2015
Sales	**4,424,101**	4,241,666
Cost of sales	**34,878**	260,095
Gross profit	**4,389,223**	3,981,571
Other income	**17,725**	11,244
Subtotal	**4,406,948**	3,992,815
Administrative expenses	**209,283**	198,842
Operating expenses	**2,169,082**	1,968,423
Earnings from operations before interest and depreciation	**2,028,583**	1,825,550
Interest on long-term debt	**54,976**	99,561
Earnings from operations before depreciation	**1,973,607**	1,725,989
Depreciation	**326,878**	572,572
Total income and comprehensive income	**1,646,729**	1,153,417

14. Financial instruments

Financial instruments carrying values and fair values

The carrying amounts of cash, accounts receivable, accounts payable and accruals, bank indebtedness, and amounts due to and from related parties 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. Investments are recorded at fair value.

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.

Cash and cash equivalents valued at fair value on the statement of financial position are classified in the fair value hierarchy as Level 1.

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.

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 term loans and bank indebtedness. A 1.0% increase in interest rates relating to the Company’s long-term debt would reduce comprehensive income by $4,800. A 1.0% increase in interest rates relating to the Company’s bank indebtedness would reduce the Company’s comprehensive income by $21,500.

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 instruments, or its issuer, or factors affecting all similar financial instruments traded in the market. The Company enters into transactions to purchase crop production products, for which the market prices fluctuate. The nature of the Company’s activities exposes it to risks of changes in commodity prices related to crop inputs that may occur between the time products are received from the supplier and the actual date of sale to customers. The Company quotes spring prices to many of its customers, which may or may not be higher than the price at which they purchased it for. To mitigate a portion of this risk, the Company enters into contracts with the supplier to purchase the product at a specified price, which is less than the price quoted 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. Credit concentration exists relating to trade accounts receivable as the Company’s sales are concentrated in the agricultural sector. The Company’s sales are spread within a large market and it is management’s belief that they are not subject to a large amount of credit risk. At the end of the year, credit risk was concentrated with one customer making up 33% of the accounts receivable balance (2015 – there were no large balances over 10%).

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

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 cash flow. Accounts payable and accruals are current and scheduled for payment within the next fiscal year. The Company`s outstanding bank indebtedness is due on demand and therefore there is no maturing date.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CMI Ag holds an equity investment on which patronage payments received are received in US currency. The foreign exchange risk for the Company is limited to these transactions.

15. Share capital

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, and (ii) Class B (only) shareholders may convert their Class B Series 1 shares to Class A Series 1 shares on a one-to-one basis provided that such conversion rights may only be exercised in lots of 10 Class B Series 1 shares.

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	**2016**	2015
Common shares		
20,638 Class A common shares (2015 – 20,638)	**489,560**	489,560

Common shares	**#**	**$**
Balance December 31, 2014	20,980	$497,673
Share redemptions	(342)	(8,113)
Balance December 31, 2015	20,638	489,560
Balance December 31, 2016	**20,638**	**489,560**

15. Share capital *(Continued from previous page)*

During the year ended December 31, 2016 there were no transactions affecting the outstanding number of shares. During the year ended December 31, 2015, 342 Class A common shares were redeemed for cash consideration of $83,353. Of this amount, $23.72 per share totaling $8,113 represented a reduction in share capital, while $220 per share totaling $75,240 was charged to retained earnings as a premium on share repurchase.

16. Income taxes

	2016	2015
Combined statutory tax rate	**20.4%**	21.3%
Income tax at statutory rate	**221,439**	203,328
Net adjustment for deductible, non-deductible and other amounts	**3,421**	22,568
Losses from prior years	**-**	(6,344)
	224,860	219,552

	December 31 2016	December 31 2015
Deferred income tax assets:		
Cumulative eligible capital	**(1,884)**	(1,929)
Deferred income tax liabilities:		
Property, plant and equipment	**77,976**	75,797
Deferred income taxes payable	**76,092**	73,868

The Company's effective tax rate approximates 12.5% 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.

In the current year, an effective rate of 23% (2015 - 24%) was used to calculate future taxes based on the effective rate of tax of the entity.

17. 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 crop input sales, 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:

	December 31 2016	December 31 2015
Bank indebtedness	**2,153,000**	1,696,000
Current portion of long-term debt	**189,720**	197,316
Term loan	**298,040**	478,400
Share capital	**489,560**	489,560
Retained earnings	**5,507,976**	4,965,915

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 external imposed covenants on its long-term debt and bank indebtedness. These covenants place restrictions on total debt based on the Company's current ratios, earnings before interest, depreciation and amortization, set minimum levels for debt service coverage and a number of operating restrictions. During the year ended December 31, 2016, the Company complied with the capital requirements.

Within the 2017 fiscal period, management does not expect its activities to be constrained by any of its debt covenants.

18. Comparative figures

Certain comparative figures have been reclassed to conform to current year presentations.