



21ST ANNUAL REPORT 2019

ANNUAL MEETING OF SHAREHOLDERS

**Wednesday, April 8, 2020
3:00pm, Saskatchewan time
via Teleconference Only**

With COVID-19 escalating, in order to protect the health and welfare of our shareholders you may join the Annual Meeting by teleconference.

Toll Free: 1-800-967-7148

Meeting ID: 388394

**Please phone or text your name to 639-938-7677
on April 8, 2020 by 2:00 p.m. if you will be joining the meeting.**

Mission Statement

To be the best at servicing our customers by providing quality products and services in order to promote peace of mind and enriching their quality of life through our partnership in the management of the risks they face.

Customer Service Statement

CMI Terminal Ltd. is committed to providing knowledgeable and timely advice to our business partners, along with quality products to assist them with their agricultural business needs.



CHAIRMAN'S ADDRESS



As we think back on 2019, as producers it is a year we would like to forget. An early spring resulted in a dry start to the season causing everyone to question what the year had in store for us. Poor germination resulted in patchy crops, but due to the dryness, weed pressure was reduced meaning some herbicide treatments could be scaled back. With the fear of a substandard crop we all went into survival mode reducing costs where ever possible. Miraculously in mid-June the skies opened and a much needed rain fell reviving the area crops. When the harvest started no one could believe the yields, but soon after the combines started, they ground to a halt with showers that kept them from fields meaning a second year of a difficult harvest was upon us.

When we look back on CMI Joint Venture the story is quite the opposite. CMI JV had a record setting year in terms of shipping with almost 245,000MT shipped in the calendar year. To achieve this level of shipping it takes the coordinated effort of everyone involved. The marketing staff at CMI JV made sure that the grain was bought for the correct time periods, it was brought into the elevator, dried and cleaned if necessary, by the operations staff and finally loaded onto the rail when the cars arrived. All of this, in conjunction with excellent communication with our joint venture partner, Viterra, who made sure the staff were aware of their shipping plans well in advance. With the challenging harvest, meant it was a second year that the dryer was needed to run overtime and the operations staff stepped up and took on the challenge. A job well done to everyone that made this happen.

In order to meet a record setting year with shipping, regular trains are necessary, therefore not leaving a lot of time for processing the grain and less time for shut downs. With an aging facility maintenance is key to keep it running as efficient as possible. Annual shut downs are necessary for some routine maintenance as well as some needed repairs. It is very common in the industry for facilities of this age to undergo major upgrades and so the board along with management is looking at when and what needs to be done to make sure the facility can continue to provide excellent service in the future.

The weather challenges that plagued producers, directly affected the staff and results of CMI Ag. With the dry spring spending at the farm level was scaled back and the staff at CMI Ag accommodated their customers to the extent possible with advice and options on how to make the most of their spending budgets. A dry season and uncertainty around the crop quality meant few fungicides were applied reducing a significant portion of sales for the division. The staff made sure that anyone that was able to apply fall fertilizer were provided with the product and services they needed. CMI Ag added a second tridem NH3 trailer to make sure customers would have the product on time, as well allowed CMI Ag the opportunity to pick up product directly from the suppliers' facilities.

Overall given the year the industry has gone through; our facility has had a banner year and one that will set the bar for future years to attain and surpass. The financial strength has meant that the highest cash return ever was paid out to our shareholders in way of a dividend in December. The board is constantly working to increase shareholder value through both cash returns and increased share prices. Thank you for the opportunity to act as your Chairperson and ask that if you have any concerns please raise them with myself or my fellow board members.

CHIEF EXECUTIVE OFFICER'S ADDRESS

To the Shareholders of CMI Terminal Ltd.,

I am pleased to announce another successful year for 2019, in which CMI LTD recorded a consolidated operating profit of \$876,370. Several milestones were achieved: the JV reached record unloads of 253,349 metric tonnes, and CMI AG increased its dry fertilizer sales by 15.4%. In 2019 CMI JV also retired its debt of \$845,927, along with allocating a total of \$750,000 in retained earnings to each of the JV partners. This was all accomplished while retaining \$1,188,434 in cash, and \$558,913 in accounts receivable for a total current asset of \$1,760,271.

CMI AG LTD struggled this year due to the weather conditions this fall, which did not allow CMI AG to reach its budgeted sales. The company still however recorded \$13,826,103 in gross sales, which was \$337,544 higher than in the prior year. Asset rental payments of \$434,523 were paid to CMI LTD, which was higher by \$14,765 when compared to 2018. CMI AG, apart from an operating line of credit has a small asset debt on a new NH3 trailer it acquired in 2019.

In 2019 CMI LTD continued to support its local communities with total donations of \$22,000. CMI JV also continued its support of the local Spalding & Naicam grower's project with donations of crop nutrient products, early delivery and drying discounts.

I would like to thank our staff who have made this year a success, without them these results would not be possible. I would also like to thank the shareholders whom have entrusted their asset to CMI LTD's management team. Our commitment to the shareholders is to make CMI JV & CMI AG a prosperous partnership of customers, employees, business partners, and community.

Andrew Kolbeck
Chief Executive Officer and President



BOARD OF DIRECTORS



Lance Stockbrugger
Chairman
2012 to present



Tom Borstmayer
Director
2010 to present



Fred Draude
Vice Chairman
1998 to present



Eric Ponath
Director
2013 to present



Mark Fohse
Secretary
2007 to present



Chad Ferguson
Director
2019 to present



Mark Silzer
Director
2017 to present



OUR STAFF



Andrew Kolbeck
Chief Executive Officer & President



Jackie Buhs
Controller & Corporate Secretary



Jesse Wasmuth
Chief Financial Officer



Troy Leicht
Branch Manager



Derek Patterson
Manager - Grain Marketing
& Logistics



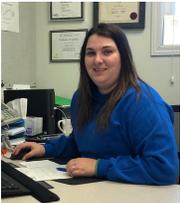
Jason Hutchison
Crop Inputs Manager



Andrew Kolbeck Jr.
Operations Manager



Matthew Nystuen
Assistant Operations Manager



Kristen Lissel
Agribusiness Consultant



Darren Flaata
Grain Procurement



Rachelle Anholt
Agribusiness Administrator



Amber Becker
Accounting Administrator



Jodie Draude
Payroll Administrator/
Human Resources



Stephanie Andersen
Receptionist



Jesse Talloden
Crop Protection Yard Worker
NH3 Coordinator



Brandon Sloan
Facility Assistant



Curtis Strome
Facility Assistant



Cody Richardson
Facility Assistant



Justin Ulrich
Facility Assistant



Soren Seykora
Facility Assistant



6 Rylee Sauder
Student Facility Assistant



COMMUNITY INVOLVEMENT

2009 CWH Quest Silver Hockey
Archerwill Curling Bonspiel
Annaheim Playground
Carlton Trail Regional College
Humboldt Vintage Club
Invermay Sled Rally
John Doherty Memorial Arena
Kelsey O'Brien Steak Night Fundraiser
Lac Vert Community Club
Lake Charron Fun Day
Lake Lenore Curling Rink Bonspiel
Lake Lenore Heatwave
Lake Lenore Hometown Hoops
Lake Lenore Lions Fishing Derby
Lake Lenore School of Dance
Melfort PeeWee AA Mustangs
Naicam Archery Club
Naicam Business Bonspiel
Naicam Car Show
Naicam Communities & Development
The Viking Stomp; Santa Day
Naicam Farmers' Bonspiel
Naicam Legion
Naicam Lions Club
Naicam Minor Sports

Naicam Mixed Curling Bonspiel
Naicam Mixed Open Golf Tournament
Naicam School
Naicam Seniors
Naicam Senior Vikings Hockey
Naicam Spalding Growers Project
North East Outreach and Support Services
Quill Lake Hockey Day
Quill Lake Wine & Scotch Night
Spalding Library Summer Reading Program
Spalding Seniors Club
Spalding School of Dance
Spalding Seniors
St. Brieux & District Recreation Centre
St. Brieux Horse Club Jackpot
St. Front Ski Doo Rally
St. Front Slow Pitch Tournament
Town of Naicam - Planter Sponsorship
Village of Spalding - Fall Supper
Watson & District Arena Association
Watson Fire Department
Watson Regional Daycare Centre
Watson Mixed Golf Night
Watson School

2019 SCHOLARSHIP WINNERS

Joel Schemenaur of Lake Lenore School and Brooklyn Ulrich of Annaheim School were the deserving recipients of \$2000 each to continue their education.

Joel is attending the University of Saskatchewan, pursuing a Bachelor of Science in Agricultural Engineering. Brooklyn is also attending the University of Saskatchewan, pursuing a Bachelor of Science in Agriculture & Bioresources.

CMI Terminal Ltd. wishes both Joel and Brooklyn much success in their future endeavors.

CMI TERMINAL LTD. SHARE TRADING

How to Place Trades

To place your trades, go to www.cmiterminal.com and click on the Investors tab and select Share Trading.

- Read the rules and fill out the Authorization to Transfer Shares form under the link that says: Click Here to view our Trading Rules.
- Only residents of Saskatchewan can post offers or accept offers through the share trading website program.
- Use the BUY / SELL buttons beside the offers on the website.
- Contact Jackie Buhs at 1-877-209-0977 (8-5 Mon-Fri).
- Click one of either the Offer Shares For Sale or Offer To Buy Shares buttons.

Frequently Asked Questions

Q: *Are all CMI Share Trades shown on the website?*

A: This website represents all CMI Share Trades clearing through CMI either by website, phone, or in person. Trades made between shareholders that are not cleared through CMI are not shown on the website.

Q: *What does Trade Pending mean?*

A: All offers marked "Trade Pending" have had offers placed against them. These offers have to yet be confirmed in the order they were placed. If an offer is declined for any reason, the next offer placed for that block of shares would be considered.

Q: *How do I cancel or change my offer?*

A: If you have already posted an offer to buy or sell and would like to change or cancel your offer please contact CMI at 1-877-209-0977 (8-5 Mon-Fri).

Q: *When are the offers confirmed and posted?*

A: All offers are verified between 8am and 10am each business day.

CMI TERMINAL LTD. SHARE TRADING

CURRENT OFFERS TO BUY

| | ASK/SHARE | # OF SHARES | DATE |
|-----------------------------|------------------|--------------------|-------------------|
| Transaction No. 1269 | \$325.00 | 100 | 10/09/2019 |

CURRENT OFFERS TO SELL

| | ASK/SHARE | # OF SHARES | DATE |
|-----------------------------|------------------|--------------------|-------------------|
| Transaction No. 1275 | \$425.00 | 50 | 02/05/2020 |

SUMMARY OF LAST 10 TRADES

1. 50 shares @ \$420.00 per share on 01/13/2020
2. 50 shares @ \$425.00 per share on 12/12/2019
3. 50 shares @ \$425.00 per share on 08/06/2019
4. 25 shares @ \$425.00 per share on 04/16/2019
5. 25 shares @ \$400.00 per share on 04/05/2019
6. 50 shares @ \$425.00 per share on 03/03/2019
7. 50 shares @ \$425.00 per share on 03/03/2019
8. 50 shares @ \$425.00 per share on 01/21/2019
9. 25 shares @ \$425.00 per share on 11/23/2018
10. 50 shares @ \$400.00 per share on 10/15/2018

CMI TERMINAL LTD.
NOTICE OF ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the 21st Annual General Meeting, of the Shareholders (the “Meeting”) of CMI Terminal Ltd. (“CMI”) will be held on Wednesday, the 8th day of April 2020 at 3:00 p.m., Saskatchewan time, via teleconference, for the following purposes:

1. To receive the financial statements and auditors’ report of the corporation for the fiscal period ending December 31, 2019;
2. To receive a report from the management of CMI and CMI Terminal Joint Venture for the fiscal year ended December 31, 2019;
3. To elect three (3) directors to the Board of CMI;
4. To appoint the auditors of the Corporation to hold office until the next Annual Meeting of the Shareholders;
5. To transact such other business of CMI as may properly come before the meeting or any adjournments thereof.

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

1. An Information Circular which contains further details relating to the above matters and describes the procedures to be used by shareholders who wish to appoint a proxy holder to attend and act at the meeting on their behalf. Shareholders wishing to appoint a proxy holder may complete and sign the Form of Proxy enclosed with this Notice of Annual Meeting and return it to the office of the Corporation in person or by mail, email or facsimile to:

P.O. Box 43, Naicam, Saskatchewan S0K 2Z0; Fax (306) 872-2778; email: jbuhs@cmiterminal.com

PLEASE NOTE THAT ALL SIGNED PROXIES MUST BE RECEIVED BY CMI NO LATER THAN 4:00 P.M. ON APRIL 7, 2020, IF THE PROXY HOLDER WISHES TO RELY ON SUCH PROXY AT THE MEETING.

2. The audited financial statements of CMI Terminal Ltd. and audited financial statements of CMI Terminal Joint Venture for the year ended December 31, 2019, together with Management's discussion and analysis of such financial statements.

Dated this 18th day of March 2020.

By Order of the Board
Signed by Mark Fohse
Mark Fohse, Secretary

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

To the shareholders of CMI Terminal Ltd.:

CMI Terminal Ltd.'s 21st Annual General Shareholders' Meeting is to be held on **the 8th day of April 2020, at 3:00 p.m.**, Saskatchewan time, via teleconference.

The conduct of the meeting must comply with requirements set by Saskatchewan legislation. The enclosed package enables CMI Terminal Ltd. to meet these requirements. It is important that you read the enclosed documents.

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

1. The official **Notice of the Annual General Shareholders' Meeting** giving the date and time of the meeting.
2. The **Information Circular** has been prepared by the board and management of CMI Terminal Ltd. ("CMI"), to provide additional information to shareholders on the business to be conducted at the meeting. It includes information regarding business affairs, share structure and election of directors. The shareholders must appoint an auditor for the upcoming year, and this is also covered in the circular.
3. The form of **Proxy** enclosed is for use at the meeting and serves two purposes:
 - (a) First, it allows any shareholder that will not be able to attend the meeting to designate an individual who will be in attendance at the meeting to vote their shares. For your convenience, the proxy indicates two officers of CMI who would be willing to act as your proxy. If you will not be able to attend the meeting, please complete, date, and sign the proxy and **return the completed proxy to the CMI office by 4:00 p.m. on April 7, 2020.**
 - (b) In the case of shares held in a corporation's name, the corporation must designate an individual who will be in attendance at the meeting and who is authorized to vote the shares of the company. In order for such corporate shareholder to vote its shares at the annual meeting of the shareholders, please insert the name of the person who will vote such shares on the proxy. Have the proxy signed and sealed by the signing officers of the corporation, and **return the completed proxy to the CMI office by 4:00 p.m. on April 7, 2020.** This step is necessary, even if the corporate designate will be attending.
4. The audited financial statements of CMI Terminal Ltd., and audited financial statements of CMI Terminal Joint Venture together with management's discussion and analysis of such financial statements for their financial year ending December 31, 2019, have been enclosed.

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

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

Thank You!

**CMI TERMINAL LTD.
INFORMATION CIRCULAR**

**FOR THE 21st ANNUAL GENERAL MEETING OF THE SHAREHOLDERS TO BE
HELD ON APRIL 8, 2020**

MANAGEMENT PROXY SOLICITATION

This Information Circular is provided in connection with the solicitation of proxies by the Board of Directors for use at the Annual General Meeting of the Shareholders (the “**Meeting**”) of CMI Terminal Ltd. (“**CMI**”) to be held on **Wednesday, the 8th day of April, 2020, at 3:00 p.m.**, Saskatchewan time, via teleconference, for the purposes set out in the preceding Notice of Annual General Meeting of Shareholders (the “**Notice**”).

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

PROXY INSTRUCTIONS

A form of proxy (the “**Form of Proxy**”) is provided with the Meeting materials for your use in the event you cannot or do not wish to attend the Meeting and yet still wish your vote to count and be heard at the Meeting.

In order to be used, voted or relied upon at the Meeting, all proxies must be deposited with CMI’s business office P.O. Box 43, #6 Highway, Naicam, Saskatchewan, S0K 2Z0, fax: 306-872-2778, or email: jbuhs@cmiterminal.com, by **4:00 p.m. on April 7, 2020**. All proxies are required to be deposited with CMI by the aforesaid date and time so that CMI can, reasonably in advance of the Meeting, tabulate all proxies received and determine the number or shares represented by such proxies. **Proxies that are not received by CMI in advance of the Meeting may not be voted or relied upon at the Meeting. This requirement applies even if you wish to appoint someone other than a member of CMI’s management as your proxy.**

The Form of Proxy enclosed is for use at the Meeting and serves two purposes:

- (c) First, it allows any shareholder that will not be able to attend the meeting to designate an individual who will be in attendance at the meeting to vote their shares. For your convenience the proxy indicates an officer of CMI who would be willing to act as your proxy. If you will not be able to attend the meeting, please complete, date, and sign the proxy and return the completed proxy to CMI by the date and time set out above; and
- (d) In the case of shares held in the name of a corporation, partnership or other corporate entity, the corporate entity wishing to vote their shares of CMI must designate an individual who will be in attendance at the Meeting and who is authorized to vote the shares of the corporate entity. In order for such corporate entity to vote its shares at the Meeting, please insert the name of the person who will vote such shares on the proxy. Have the proxy signed and sealed by the proper signing officer(s) of the corporate entity and return the completed proxy to CMI by the date and time set out above. This step is necessary, even if the corporate designate will be attending the Meeting. Without having first received a valid proxy indicating to CMI that the designate has the authority to vote the corporate entity’s shares, CMI will have no way of determining or verifying that the

designate attending the Meeting has the requisite authority on behalf of the corporate entity to vote its shares of CMI.

Each shareholder has the right to appoint any person, instead of the person described in the Form of Proxy, to attend and act for him, her or it and on his, her or its behalf at the Meeting, and may exercise such right by inserting the name of the person in the blank space provided in the Form of Proxy or by submitting another appropriate proxy. A person appointed as a proxy need not be a shareholder of CMI. Irrespective of who you designate as your proxy, your proxy is required by law to follow your voting instructions as set out by you in your Form of Proxy.

The Form of Proxy gives the shareholders an opportunity to specify his or her shares to be voted for or against the motions therein specified. The shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, his or her shares will be voted accordingly.

The Form of Proxy gives discretionary authority to the proxy nominees with respect to amendments or variations of matters identified in the Notice of Meeting or other matters which may properly come before the Meeting. At the date hereof, the Board of Directors of CMI knows of no matters to come before the Meeting other than the matters referred to in the foregoing Notice of Meeting. However, if any other matters should properly come before the Meeting, the shares represented by proxies in favour of CMI's nominee will be voted on such matters in accordance with the best judgment of the proxy nominee.

NON-REGISTERED HOLDERS

Only shareholders whose names appear on the records of CMI as the registered holders of shares or duly appointed proxy-holders are permitted to vote at the Meeting.

Some shareholders of CMI are "non-registered" shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee such as a brokerage firm through which they purchased the shares; a bank, trust company, trustee or administrator of self-administered RRSPs, RRIFs, RESPs and similar plans; or a clearing agency such as The Canadian Depository for Securities Limited (each, a "Nominee"). If you purchased your shares through a broker or registered dealer, you are likely a non-registered holder. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder.

CMI has distributed copies of the Meeting materials, being the Notice of Meeting, this Information Circular and the Form of Proxy, directly to non-registered holders. Nominees often have their own form of proxy and/or voting instruction form (a "VIF"), which is used by the Nominee instead of a proxy. **If you, as a non-registered holder owning shares registered in the name of a Nominee, wish to vote on the matters to be decided at the Meeting please contact your Nominee immediately to obtain your Nominee's form of proxy and/or VIF.** By returning the Nominee's form of proxy and/or VIF in accordance with the instructions noted on it, a non-registered shareholder is able to instruct the registered shareholder, the Nominee, how to vote on behalf of the non-registered shareholder.

If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your shares are voted at the Meeting. **If you wish to vote at the Meeting in person, you should appoint yourself as proxy-holder by writing your name in the space provided on the VIF or proxy provided by the Nominee and return the form to the Nominee in accordance with the instructions noted on the VIF or proxy including when and where it is to be delivered.**

REVOCATION OF PROXY

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by her or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and depositing such instrument at CMI's business office P.O. Box 43, #6 Highway, Naicam, Saskatchewan, S0K 2Z0, Fax: 306-872-2778, or email: jbuhs@cmiterminal.com, at any time up to and including 4:00 p.m. on April 7, 2020, or by depositing such revocation instrument with the chairperson of such meeting on the day of the Meeting, or adjournment thereof, before commencement of the meeting and upon either of such deposits the proxy is revoked. **Only registered shareholders have the right to revoke a proxy. If you, as a non-registered holder, wish to change your vote submitted to CMI via proxy by your Nominee, you must arrange for your Nominee to revoke the proxy on your behalf.**

MATERIAL INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Save and except for the election of directors, none of CMI's directors or officers, nor any proposed nominees for election as directors of CMI, nor any associate or controlled corporation of such person has any direct or indirect material interest in any matter to be acted on at the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of CMI consists of an unlimited number of Class "A" voting shares, of which 20,638 Class "A" Shares, held in the aggregate by 170 Class "A" Shareholders, are issued and outstanding as fully paid and non-assessable as at CMI's fiscal year end of December 31, 2019. There were no shares redeemed in 2019. CMI has not issued options or warrants or any other securities capable of being converted into CMI shares.

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

| Name | Class "A" Shares Held | Percentage of Total Class "A" Shares |
|---|-----------------------|---|
| Scotia Capital Inc. Scotia Plaza, 40 King St. West, Box 4085 Toronto, ON M5W 2X6 | 2,210 | 11% |

Scotia Capital Inc. is the trustee of 15 Self-Directed Retirement Savings Plans, which, in the aggregate, comprise the total number of shares held by Scotia Capital Inc. Scotia Capital Inc. has provided written authorization to CMI permitting each annuitant to vote the shares held by Scotia Capital Inc. to which such annuitant is beneficially entitled. This same authorization has been provided by all other self-directed retirement plan trust companies which hold shares of CMI.

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

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

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

CONSIDERATION OF FINANCIAL STATEMENTS

A copy of the audited financial statements of CMI Terminal Ltd. and CMI Terminal Joint Venture for their financial years ended December 31, 2019, prepared by Ernst & Young LLP, Chartered Professional Accountants, will be provided to each shareholder together with the Management Discussion and Analysis Report. The directors of CMI have approved the audited financial statements in form and content.

Jesse Wasmuth, CFO for CMI Terminal Ltd. will present the audited consolidated financial statements of CMI Terminal Ltd. and CMI Terminal Joint Venture to the shareholders.

ELECTION OF DIRECTORS

There are seven (7) directors on the Board of Directors (the “**Board**”) of CMI. At the annual and special meeting of shareholders held on November 30, 1999, and in order to ensure a level of continuity on the Board, the shareholders of CMI resolved to elect directors in rotating terms of two years. Accordingly, each year approximately half of the directors retire and such positions on the Board are filled by the shareholders at the Annual Meeting of shareholders of CMI. A retiring director is eligible for re-election.

CMI has also established a nomination protocol. Each year, a nominating committee consisting of three board members seek to identify interested and qualified candidates for election to the Board. The committee seeks eligible candidates by whatever means the committee wishes to use, including phone solicitation, public advertisement, or volunteers putting their name forward. From the eligible candidates identified, including any incumbent directors seeking re-election, the nominating committee seeks to identify the most eligible candidates possessing the requisite competency and skills that the committee considers necessary for the Board. Those nominees are then presented to the Board for approval and, if approved, are included in the list of nominees for election to the Board of CMI at the Annual Meeting.

As CMI has adopted a nomination protocol in an effort to put forward the best candidates for consideration and election by the shareholders at each Annual Meeting, the Chairman of the Annual Meeting will not seek nominations from the floor for election to the Board. The establishment of the nomination protocol gives shareholders who cannot be in attendance at the Annual Meeting the comfort that the Board will recommend the best available candidates for election to the Board.

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

| Name | Province and Country of Residence | Position with Corporation | Present Occupation, Name and principal business of company that Director is employed with | Period(s) When a Director | Expiry of Current Term | Voting Shares of CMI owned directly or indirectly |
|--|-----------------------------------|---------------------------|---|---------------------------|------------------------|---|
| Lance Stockbrugger, CPA, CA 1,2,3,4 | Saskatchewan, Canada | Chairman | Farmer | 2011-Present | 2020 | 100 |
| Fred Draude 4 | Saskatchewan, Canada | Vice Chairman | Realtor | 1998-Present | 2020 | 780 |
| Mark Silzer 2,3,5 | Saskatchewan, Canada | Director | Ag Consultant | Dec 20, 2017 - Present | 2021 | 200 |
| Mark Fohse 3,4,5 | Saskatchewan Canada | Secretary | Farmer | 2007-Present | 2021 | 50 |
| Eric Ponath 1,2,4,5 | Saskatchewan, Canada | Director | Retired Farmer | 2013-Present | 2021 | 539 |
| Tom Borstmayer 1,2,3 | Saskatchewan, Canada | Director | Farmer | 2010-Present | 2020 | 300 |
| Chad Ferguson 4,5 | Saskatchewan, Canada | Director | Farmer | 2019-Present | 2021 | 350 |

Notes to Table:

¹ CMI JV Management Committee

² Human Resource Committee

³ Audit Committee

⁴ Governance Committee

⁵ Nomination & Education Committee

The two (2) year appointment of each of Lance Stockbrugger, Fred Draude, and Tom Borstmayer expire at the close of this Meeting. Lance Stockbrugger, Fred Draude, and Tom Borstmayer have agreed to allow their names to stand for re-election. In accordance with the above noted nomination protocol.

To the best of CMI's knowledge, none of the aforementioned nominees are now, nor have they been within ten (10) years before the date of this information circular:

- (a) subject of a cease trade or similar order of a securities regulator or an order denying the person access to any exemption under securities legislation, nor a director or officer of a company that was the subject of such order of a securities regulator; or

- (b) bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such person nor a director or officer of a company that became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such company.

The Board of Directors recommends that shareholders vote for the election of each of Lance Stockbrugger, Fred Draude and Tom Borstmayer to the Board of Directors, each for a two year term.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors or officers of CMI were indebted to CMI as of its fiscal year ending December 31, 2019.

Compensation of Directors

The Chairman of the board of directors receives an \$11,000 honorarium and directors each receive a \$7,000 honorarium together with a per diem fee based on \$75.00 per hour for each meeting they attend.

The following table sets out the compensation paid to current and past directors during the fiscal period ended December 31, 2019.

Director Compensation table:

| Name | CMI Ltd. Honorarium | CMI Ltd. Meeting Fees Paid | Total |
|--------------------|------------------------|-------------------------------|----------|
| Lance Stockbrugger | \$11,000 | \$7,725 | \$18,725 |
| Fred Draude | \$7,000 | \$4,162 | \$11,162 |
| Mark Silzer | \$7,000 | \$3,862 | \$10,862 |
| Tom Borstmayer | \$7,000 | \$2,475 | \$9,475 |
| Regan Crone | \$1,750 | \$1,237 | \$2,987 |
| Mark Fouhse | \$7,000 | \$3,074 | \$10,074 |
| Eric Ponath | \$7,000 | \$4,762 | \$11,762 |
| Chad Ferguson | \$5,250 | \$1,687 | \$6,937 |

Indemnification of Directors

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

AUDIT COMMITTEE DISCLOSURE AND APPOINTMENT OF AUDITOR

The Board of Directors annually appoints three of its members to an Audit Committee which is responsible for overseeing the financial disclosure which will be provided to shareholders, CMI’s internal controls over accounting practices and the audit process. The text of the Audit Committee’s charter is attached as Schedule “A” hereto.

The current members of the Audit Committee are Lance Stockbrugger, Tom Borstmayer, Mark Silzer and Mark Fohse all of whom are financially literate, within the meaning of such term defined in National Instrument 52-110 Audit Committees (“NI 52-110”). All audit committee members are independent as required by NI 52-110.

The audit committee members have an understanding of the accounting principles and general applications used by the issuer to prepare its financial statements. Lance D. Stockbrugger, CA, CPA is a registered member of the Institute of Chartered Professional Accountants of Saskatchewan and therefore, has the educational and practical experience to understand the basic financial reporting required to sit on the audit committee. Tom Borstmayer has a Bachelor of Science in Agricultural Engineering and has many years of experience in this field. Mr. Borstmayer spent 6 years in Perth, Western Australia to establish Bourgault Australia PTY. Tom has owned and operated the family farm since 2003 which has also given him the experience and knowledge required. Mark Silzer has been a self-employed business owner for the past forty years. Owning and operating businesses both in and outside of agriculture as well as serving as an independent business consultant. Mark has extensive experience on National and Provincial boards and advisory committees for the both not for profit and for profit corporations. This has provided him with the knowledge and expertise to serve on the Audit Committee. Mark Fohse has been farming and raising cattle on the family farm since 1985 with his parents, and took over the operation in 2008. Mark has served 10 years on the Board of Directors of the Spalding Coop, two years of which he served as the Chairman of the board. Mark was also a member of the audit committee of the Spalding Coop and has an understanding of accounting principles and practices. Ernst & Young LLP, Chartered Professional Accountants, are the external auditors retained by CMI to perform audit and audit-related services for the Company and CMI JV.

Ernst & Young LLP, Chartered Professional Accountants were first appointed the external auditor of CMI and CMI JV for their respective financial years beginning January 1, 2017. The following table sets out the aggregate fees billed by CMI’s external auditors.

| External Auditor Service Fees | CMI LTD. 2019 | CMI JV 2019 | CMI Ag Ltd. 2019 | CMI LTD. 2018 | CMI JV 2018 | CMI Ag Ltd. 2018 |
|--------------------------------------|----------------------|--------------------|-------------------------|----------------------|--------------------|-------------------------|
| Audit Fees Ernst & Young | \$59,320 | \$41,625 | \$61,327 | \$51,171 | \$48,729 | \$36,852 |
| Audit Fees MNP LLP | 0 | 0 | 0 | \$5,847 | \$0 | \$0 |
| Total | \$59,320 | \$41,625 | \$61,327 | \$57,018 | \$48,729 | \$36,852 |

The Board of Directors recommends that shareholders vote for the appointment of Ernst & Young LLP, Chartered Professional Accountants, as the auditors of CMI for the ensuing financial year of CMI at a remuneration and on terms to be determined and agreed to by the Board of CMI.

CORPORATE GOVERNANCE DISCLOSURE

1. Board of Directors

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

2. Directorships

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

3. Orientation and Continuing Education

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

4. Ethical Business Conduct

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

5. Nomination of Directors

The Board of Directors has developed and adopted protocols to identify and recommend candidates for election at annual shareholder meetings and to identify and recommend candidates to fill vacancies occurring between annual shareholder meetings. These protocols build on the principles advocated by the shareholders at prior annual general meetings that any interested shareholder should have the ability to put their name forward for nomination to the Board of Directors of CMI. Any shareholder wishing to put their name forward for consideration by the nomination committee should contact a member of the nomination committee.

6. Compensation

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

7. Other Board Committees

- a) **Management Committee:** The Management Committee is comprised of three independent directors of CMI and three nominee representatives of Viterra Inc. The Management Committee is established pursuant to the terms of the Joint Venture Agreement entered into with Viterra Inc. and manages the business and affairs of CMI JV.

- b) **Human Resource Committee:** The Human Resource Committee is comprised of three independent directors, the Chairman and the General Manger of CMI Terminal Ltd., and is delegated the authority for and on behalf of the full Board of Directors, to act in an advisory capacity to the board. The Human Resources Committee is responsible to report to the Board concerning human resource policies and principles of CMI.
- c) **Audit Committee:** The Audit Committee is comprised of three independent directors. Each member of the Audit Committee must, in the judgment of the Board, have the ability to read and understand fundamental financial statements. The members of the Committee and the chairperson of the Committee are selected annually by the Board and serve at the pleasure of the Board. The Audit Committee acts as an advisory committee to the Board and is responsible for separately reviewing for accuracy all financial statements or other information concerning CMI to be disseminated to the public.
- d) **Governance Committee:** The Committee is comprised of three members that are elected by the Board for rotating three year terms. The Chair of the Board and the General Manager are members of this committee, with the third member appointed annually by the Board. The Governance Committee is responsible to review the entire Corporate Governance section of the Directors Handbook every 3 years and advise the Board if any changes are required.
- e) **Nomination & Education Committee:** The Committee is comprised of three independent directors. The members of the Committee and the chairperson of the Committee shall, unless otherwise determined by the Board, consist of directors who are independent and who are not retiring in such year. Such Committee members shall serve at the pleasure of the Board. The purpose of the Nomination & Education Committee is to advise the Board on matters relating to good education, the orderly renewal of the Board and to ensure that CMI retains and continues to attract high caliber people of the appropriate experience and skill to satisfactorily participate in the oversight and operations of CMI.

8. Assessments

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

Executive Compensation

Under National Instrument 51-102 *Continuous Disclosure Obligations* (“**NI 51-102**”), CMI is required to disclose the compensation of those who served as Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”) as well as any executive officer who earns more than \$150,000 per annum. Andrew Kolbeck is CMI Terminal Ltd.’s and CMI Ag Ltd.’s Chief Executive Officer, and has acted as the General Manager of CMI Terminal JV since April 2002. Jesse Wasmuth is CMI Terminal’s Chief Financial Officer. Jackie Buhs has acted as CMI’s controller since November 1998.

The following compensation table sets forth the annual compensation awarded to each of the CFO, CEO, General Manager and Controller as named executive officers for the purpose of NI 51-102 for the fiscal year ended December 31, 2019.

Summary Compensation Table

| Name and Position | CFO Jesse Wasmuth | CEO/General Manager Andrew B. Kolbeck | Controller Jacqueline Buhs |
|---|------------------------------|--|---------------------------------------|
| Fiscal Year | 2019 | 2019 | 2019 |
| Salary | \$63,200 | \$149,350 | \$92,850 |
| Annual Incentive Plans¹ (Bonus) | \$0 | \$0 | \$5,125 |
| All other Compensation ² (RRSP) | \$0 | \$7,422 | \$4,642 |
| Total Compensation | \$63,200 | \$156,772 | \$102,617 |

| Name and Position | CFO Jesse Wasmuth | CEO Lance Stockbrugger | General Manager Andrew Kolbeck | Controller Jacqueline Buhs |
|---|------------------------------|-----------------------------------|---|---------------------------------------|
| Fiscal Year | 2018 | 2018 | 2018 | 2018 |
| Salary | \$57,600 | \$0 | \$145,000 | \$91,048 |
| Annual Incentive Plans¹ (Bonus) | \$0 | \$0 | \$13,412 | \$3,680 |
| All other Compensation ² (RRSP) | \$0 | \$0 | \$7,250 | \$4,552 |
| | \$57,600 | \$0 | \$165,662 | \$99,280 |

Footnotes:

1 – Bonus is based on the employee’s performance for the year and the profit of CMI

2 - CMI matching RRSP of 5% of salary

CMI has no long-term incentive plans, stock option plans, securities outstanding under options (“SUOs”), stock appreciate rights (“SARs”), pension benefit plans or other “plans” (as defined in Form 51-102F6 and for the purpose of NI 51-102).

ADDITIONAL INFORMATION

Additional information relating to CMI is on SEDAR at www.sedar.com. Current financial information respecting CMI is provided in CMI's comparative financial statements and Management Discussion and Analysis (MD&A) thereon for its most recently completed fiscal year ending December 31, 2019. Security holders may request copies of CMI's issued financial information and MD&A thereon by contacting the Controller of CMI at 306-872-2777, or downloading such information from SEDAR.

APPROVAL OF INFORMATION CIRCULAR

Dated at Naicam, Saskatchewan, this 18th day of March, 2020.

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

Signed by Mark Fohse
Mark Fohse, Secretary

Schedule “A”

AUDIT COMMITTEE CHARTER

I. Purpose and Mandate

The Audit Committee (the “**Committee**”) is established by the Board of Directors (the “**Board**”) of CMI Terminal Ltd. (“**CMI**”) primarily for the purpose of overseeing the accounting and financial reporting processes of CMI and to review and report to the Board on the semi-annual unaudited and annual audited reports and financial statements of CMI, CMI AG Ltd. (“**CMI Ag**”), and CMI Terminal Joint Venture (“**CMI-JV**”). The consolidated financial statements of CMI include its investment in CMI-JV using the equity method and the assets, liabilities, revenues and expenses of CMI’s wholly owned subsidiary, CMI Ag.

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

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

II. Authority

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

III. Composition of Committee

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

IV. Meetings

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

V. Specific Responsibilities and Duties

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

A. Annual Financial Information

The Committee shall:

1. after discussing with management and the auditors matters pertaining to the annual consolidated financial statements of CMI, CMI Ag and CMI-JV, review the semi-annual unaudited and annual audited consolidated financial statements and recommend their approval to the Board before approved by the Board;
2. review and approve CMI's annual report to shareholders including management's discussion and analysis ("MD&A") contained therein;
3. obtain certifications from the chief executive officer and the chief financial officer (and considering the external auditors' comments, if any, thereon) that to their knowledge:
 - (a) the audited financial statements, together with any financial information included in CMI's annual MD&A, fairly represent in all material respects CMI's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings; and
 - (b) the semi-annual financial statements of CMI, together with any financial information included in the semi-annual MD&A, fairly represent in all material respects CMI's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings.
4. review the planning and results of the external audit of CMI, CMI Ag and CMI-JV, including:
 - (a) the engagement letter and projected audit fee for CMI, CMI Ag and CMI-JV;
 - (b) the scope of the audit of CMI, CMI Ag and CMI-JV, including areas of audit risk, timetable, deadlines, materiality limits, extent of internal control testing, and coordination with internal audit;

- (c) various reports issued by the external auditor including:
 - (i) the auditor's report;
 - (ii) all critical accounting policies and practices used;
 - (iii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management;
 - (iv) ramifications of the use of alternative disclosures and treatments;
 - (v) treatment preferred by the external auditors; and
 - (vi) any material written communications between the external auditors and management; and
 - (d) any errors detected by the audit, how they were resolved with management and whether they indicate a weakness in the reporting and control system;
5. review any press releases dealing with financial issues before such press releases are released to the public.

B. Interim Financial Statements

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

C. Internal Controls and Risk Management

The Committee shall:

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

D. External Auditor Independence

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

The Committee shall strengthen and preserve external auditor independence by:

- (a) holding periodic in-camera sessions with the external auditor;
- (b) annually reviewing non-audit engagements undertaken by the audit firm for CMI, CMI Ag and CMI-JV and assessing their impact on the external auditor's objectivity and independence;
- (c) assessing the performance of the external auditor and developing resolutions related to the reappointment or any proposed change in external auditors to the shareholders annual meeting;
- (d) reviewing the co-operation received by the external auditor from management and resolving any disagreements between management and the external auditor regarding financial reporting;
- (e) receiving from the external auditor a letter which summarizes the non-audit services provided during the year and declaring their independence from CMI, CMI Ag and CMI-JV; and
- (f) recommending to the Board the nomination and compensation of the external auditor.

E. Internal Audit

The Committee shall:

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

F. Ethical and Legal Conduct

The Committee shall:

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

G. Reporting Responsibilities

The Committee shall:

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

H. Other

In addition to the foregoing, the Committee shall:

1. annually review the Committee Charter and recommend appropriate changes to the Board;
2. pre-approve all non-audit services to be provided to CMI, CMI Ag or CMI-JV by CMI's external auditor;

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

This Audit Committee Charter was adopted by the Board of Directors of CMI Terminal Ltd. on April 28, 2006 and revised on February 18, 2009, and further amended and restated on April 12, 2019

CMI Terminal Ltd. December 31, 2019 Annual Management Discussion and Analysis

Dated: March 11, 2020

Management prepared the following Management Discussion and Analysis (“**MD&A**”) as of March 11, 2020, in conjunction with the accompanying financial information, both of which, in their preparation, use International Financial Reporting Standards (“**IFRS**”).

CMI Terminal Ltd. (“**CMI**” or the “**Company**”) holds a 50% interest in CMI Terminal Joint Venture (“**CMI JV**” or the “**Joint Venture**”). Viterra Inc. owns the other 50%. Effective October 11, 2013, CMI acquired Viterra’s 50% interest in the Joint Venture’s crop production products and services business unit with Viterra retaining its 50% ownership interest in the grain portion of the Joint Venture. CMI now owns 100% of the crop production products and services business unit assets. The acquisition resulted in a new operating arrangement whereby CMI Ag Ltd. (“**CMI Ag**”), a wholly owned subsidiary of CMI, owns and operates the crop production products and services business as a fully independent dealer. CMI also provides management, administrative and operational services to both the Joint Venture and CMI Ag.

The Company views its investment in CMI JV as a joint operation as defined in IFRS 11 “Joint Arrangements,” and as such, recognizes 50% of the Joint Venture’s assets, liabilities, revenue, and expenses in its consolidated financial statements.

1. Selected Operating Results - Joint Venture

The Joint Venture received 238,069 metric tonnes of grain for the year ended December 31, 2019, compared to 202,466 metric tonnes of grain for the year ended December 31, 2018.

CMI JV Assets and Liabilities

| | December 31, 2019 | December 31, 2018 |
|---------------------|-------------------|-------------------|
| Current Assets | \$1,760,271 | \$1,737,895 |
| Non-Current Assets | \$6,136,556 | \$6,248,808 |
| Current Liabilities | \$342,947 | \$806,573 |

CMI JV’s Statements of Comprehensive Income

| | For the Year Ended December 31, 2019 | For the Year Ended December 31, 2018 |
|---------------------------------------|---|---|
| Sales | \$5,212,684 | \$4,292,448 |
| Cost of Sales | \$151,983 | \$40,870 |
| Gross Profit | \$5,060,701 | \$4,251,578 |
| Other Income | \$31,650 | \$22,786 |
| Subtotal | \$5,092,351 | \$4,274,364 |
| Operating and Administrative Expenses | \$2,386,490 | \$2,283,296 |
| Interest on Term Loan | \$14,959 | \$40,219 |
| Depreciation | \$333,845 | \$357,726 |
| Total Comprehensive Income | \$2,357,057 | \$1,593,123 |

1.1 Grain Handling Joint Venture Analysis

The Joint Venture's total revenue from grain handling for the year ended December 31, 2019, was \$5,212,684, an increase of \$920,236 in comparison to the prior year at \$4,292,448. The revenue per metric tonne was \$21.90 for the year ended December 31, 2019, as compared to \$21.20 for the preceding year. The increase in total revenue was

mostly the result of the higher volumes handled and the increased margin associated with these tonnes as compared to 2018. Revenue increases were recorded across most accounts, with storage revenue being one notable exception as it was down \$48,332. The decrease in storage revenue is directly related to the velocity with which the terminal handled grain in 2019, with the additional turns leading to the upswing in total tonnes handled and correspondingly, revenue. Grain receipts increased by 35,603 metric tonnes compared to the previous year, primarily due to the increased shipping opportunities CMI JV experienced during the first quarter, while demand remained consistently strong throughout the remainder of the year. It was these shipping opportunities that allowed CMI JV to augment its uptake of the grain being offered by producers for sale in the local market.

The quality of the crop produced in the year ended December 31, 2019, was similar to that in 2018. The moisture content was significantly higher than normal, however, and was accompanied by a year-over-year uptick in yields versus the year prior. The relative quality of the crop meant that blending opportunities still presented themselves to the Joint Venture; this was reflected in an audit revenue boost of \$.13/tonne when compared to the previous fiscal year. The second account affected by the high moisture crop was drying revenue. Dried grain volumes were up significantly, responsible for a surge in revenue of \$282,498. Further, cleaning revenue was also positively affected by the higher wheat volumes handled, resulting in a year-over-year rise in revenue of \$196,145.

Total operating expenses grew in fiscal 2019, with property taxes, utilities, and repairs and maintenance (“R&M”) accounting for a significant portion of the increase. Property taxes rose by \$22,049 year-over-year, while utilities and R&M expenses were up by \$33,782 and \$25,687, respectively. Depreciation, however, was lower by \$23,881.

2. Consolidated Financial Results for CMI

2.1 Gross Profit and Net Revenue from Sales and Services

Users should view the following table in conjunction with the accompanying financial information.

| CMI <i>Selected Consolidated Financial Information</i> | For the Year Ended December 31, 2019 | For the Year Ended December 31, 2018 |
|--|---|---|
| Sales | \$16,432,445 | \$15,638,299 |
| Cost of Sales | \$12,376,296 | \$11,741,664 |
| Gross Profit | \$4,056,149 | \$3,896,635 |
| Other Income | \$134,008 | \$251,147 |
| Operating and Administrative Expenses | \$2,929,706 | \$2,769,638 |
| EBITDA | \$1,260,451 | \$1,378,144 |
| Interest on Term Loan | \$10,004 | \$27,083 |
| Depreciation | \$374,071 | \$350,506 |
| Income taxes (Recovery) | | |
| Current | \$287,736 | \$176,856 |
| Future | (\$70,139) | \$463 |
| Total Comprehensive Income | \$658,779 | \$823,236 |
| Basic and Diluted Total Comprehensive Income Per Share | \$31.92 | \$39.89 |
| Total Assets | \$9,745,278 | \$10,293,723 |
| Total Liabilities | \$3,099,161 | \$3,893,625 |

The Company’s total revenue from sales and services for the year ended December 31, 2019, was \$16,432,445 in comparison to \$15,638,299 for the year ended December 31, 2018, an increase of \$794,146. The overall growth was due to factors already mentioned, including the improvement in cleaning and drying revenues; additionally, dry fertilizer and public seed sales were up year-over-year as demand for certified seed and crop nutrition was higher in 2019. CMI Ag was able to sell an additional 1,598 metric tonnes of dry fertilizer in the most recent year. The receipt of product by rail was definitely a contributing factor to the additional sales volumes realized. Gross profit of \$4,056,149 for the year ended December 31, 2019, was slightly higher than the \$3,896,635 for the year ended December 31, 2018. The total increase was \$159,514.

Total operating and administrative expenses for the year ended December 31, 2019, were \$2,929,706 in comparison to \$2,769,638 for the year ended December 31, 2018. The difference in operating and administrative expenses was \$160,068. Depreciation expense increased by \$23,565 compared to the prior year, as certain of the Company's assets reached the end of their estimated useful lives and were no longer depreciated in the current year.

2.2 Interest Expense

| | For the Year Ended December 31, 2019 | For the Year Ended December 31, 2018 |
|------------------------|---|---|
| Interest on Term Loans | \$10,004 | \$27,083 |

Interest for the year ended December 31, 2019, was \$17,079 lower than the previous year. During the year, CMI repaid the balances of its outstanding loans, entering into a new loan solely to finance the acquisition of an NH₃ tridem trailer for its crop production products and services business. Under this arrangement, it received total proceeds of \$210,952. Term loans outstanding at the end of the most recent year totaled \$191,899 in comparison to \$562,397 at the end of fiscal 2018. At the time of writing, the Company does not foresee the need to make any large capital expenditures in the near future. It is not determined whether CMI will finance the upcoming replacement of a fertilizer blender scale using retained earnings or if it will borrow the funds necessary to cover the anticipated cost.

2.3 Total Comprehensive Income for the Year

Total comprehensive income was \$658,779 for the year ended December 31, 2019, (\$31.92 per share) compared to \$823,236 for 2018 (\$39.89 per share).

2.4 Summary of Semi-Annual Financial Information

| CMI <i>Selected Consolidated Semi-Annual Financial Information</i> | December 31, 2019 | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|--|------------------------------|----------------------|------------------------------|----------------------|
| (Unaudited) | (6 months) | (6 months) | (6 months) | (6 months) |
| Sales | \$5,612,513 | \$10,819,932 | \$6,013,612 | \$9,624,687 |
| Total Comprehensive Income | \$103,466 | \$555,313 | \$426,545 | \$396,691 |
| Basic and Diluted Total Comprehensive Income Per Share | \$5.01 | \$26.91 | \$20.67 | \$19.22 |

With IFRS 16 coming into effect for year-end periods beginning on or after January 1, 2019, CMI was correspondingly required to make some changes to the way it accounted for certain of its leases. Leases to which the Company could not apply the short-term or low-value exemption required recognition as at January 1, 2019. On that date, the Company recognized right-of-use asset and lease liability values in respect of two leases covering the use of computer equipment and a fertilizer spreader for a fixed term. During the interim period, CMI terminated its lease of the computer equipment and purchased new equipment in its place, while the fertilizer spreader remained as a leased asset at the end of the year. Subsequent to the year-end, the company exercised its purchase option under that lease and resold the spreader, realizing a small gain.

Shipments are coordinated with Viterro Inc. and are largely dependent on the performance of the Canadian Pacific Railway. The cyclical nature of CMI's business is such that it generates much of its crop production products and services business's revenue during the spring and fall seasons.

3. Liquidity and Capital Resources for CMI Ltd.

3.1 Working Capital

Current assets were \$5,417,879 as of December 31, 2019, in comparison to \$6,137,953 as of December 31, 2018, a decrease of \$720,074. This decrease can be attributed to a reduction in the year-over-year accounts receivable balance and the lower levels of cash held at the year-end due to the net outflows during the year.

Total current liabilities were \$3,099,161 as of December 31, 2019, as compared to \$3,581,832 as of December 31, 2018, a decrease of \$482,671. CMI Ag, in particular, owed its vendors significantly less money as of December 31, 2019, meaning that it was making less use of the trade credit available to it than before. Further, local growers did not participate in the prepayment program offered by CMI Ag to the same extent as they had in the year prior, contributing to an unearned revenue decline of \$374,772.

Working capital was \$2,318,718 as of December 31, 2019, \$237,403 lower than the \$2,556,121 as of the end of 2018 for the reasons mentioned above.

3.2 Cash Flow

Cash balances at the end of 2019 compared with the prior year were down significantly for the above reasons in addition to the Company's purchases of items of property, plant, and equipment. CMI expended \$448,464 in this regard in fiscal 2019. Of these purchases, the largest was an NH₃ tridem trailer acquired at a cost of \$281,000.

3.3 Off-Balance Sheet Obligations and Arrangements

The ownership of grain transfers directly from each producer to Viterra Inc. at the time of purchase.

CMI has a management and administration services agreement (“MSA”) and a shared facilities agreement (“SFA”). The MSA states that CMI will provide the Joint Venture with the management and administrative services that are required to operate the grain business. The SFA was entered into by the Joint Venture, CMI and CMI Ag. The SFA enables CMI and CMI Ag to conduct the crop production products and services business from the same facilities as in the past.

CMI and Viterra Inc. entered into an agreement with CMI Ag for the lease of office space in the Joint Venture facility to operate the crop production products and services business. An addendum to this agreement was executed on October 11, 2019, extending the current lease term to October 10, 2022. CMI Ag pays its proportionate share of the operating costs and taxes.

3.4 Capital Requirements & Management

Capital additions of \$216,866 were made by CMI JV for the year ended December 31, 2019 (with the Company's portion being 50%), consisting substantially of distribution equipment, a new copier, and miscellaneous improvements to buildings, including new lighting, flooring, and improvements to allow for better access to its facilities. A new dump trailer was also purchased to haul waste dust from the collectors. CMI Ag made capital additions of \$301,243 for the year ended December 31, 2019 (with the company's portion being 100%), largely consisting of a new tridem NH₃ trailer.

CMI engages in a capital maintenance program. In the 2019 fiscal period, CMI expended \$328,450 for such capital maintenance compared with \$303,463 paid in the prior year. Capital maintenance expenditures for the year ended December 31, 2019, occurred in accordance with the annual budgeted expense for repairs and maintenance and were financed through operations.

The Company's primary objective when managing capital is to ensure that it has sufficient resources to maintain its ongoing operations. The Company considers bank indebtedness, its term loan and total shareholders' equity in the definition of capital. Under the Company's credit agreement, it is required to maintain a maximum ratio of debt to tangible net worth, and a minimum debt service ratio, calculated by dividing EBITDA, or earnings before interest,

taxes, depreciation, and amortization by the sum of interest expense and the current portion of any long-term debt and capital leases. As of December 31, 2019, the Company was in compliance with all covenants. It was also onside with the borrowing conditions related to the CMI Ag line of credit.

In the previous year, CMI extended to CMI Ag a revolving credit facility with which it can take advantage of prepay discounts, support operational efforts and ensure it is onside at the time of the annual report to its external lender. As of December 31, 2019, CMI Ag was carrying a balance of \$nil with respect to this facility, having repaid the \$56,000 balance from last year on August 14, 2019. However, CMI did advance CMI Ag \$750,000 on February 13, 2020, in support of its repayment of amounts owed for CPS asset rent.

3.5 Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of Class A voting common shares. The number of shares issued as of December 31, 2019, was 20,638 Class A voting common shares. No shares were issued or redeemed during fiscal 2019.

3.6 Share Dividend Record and Return of Capital (ROC)

| Applicable Fiscal Year | Date Dividend/ROC Declared | Total Dividend/ROC | Dividend/ROC Per Share |
|------------------------|----------------------------|--------------------|---------------------------|
| 2019 | October 28, 2019 | \$412,760 | \$20.00 Eligible Dividend |
| 2018 | October 31, 2018 | \$350,846 | \$17.00 Eligible Dividend |
| 2017 | November 26, 2017 | \$309,570 | \$15.00 Eligible Dividend |
| 2016 | December 15, 2016 | \$309,570 | \$15.00 Eligible Dividend |
| 2015 | December 15, 2015 | \$309,570 | \$15.00 Eligible Dividend |
| 2013-2014 | October 31, 2014 | \$314,700 | \$15.00 Eligible Dividend |
| 2012-2013 | March 27, 2013 | \$335,680 ROC | \$16.00 ROC |
| 2011-2012 | March 29, 2012 | \$343,650 ROC | \$15.00 ROC |
| 2010-2011 | - | - | - |
| 2009-2010 | March 29, 2010 | \$343,650 ROC | \$15.00 ROC |
| 2008-2009 | April 2, 2009 | \$274,920 ROC | \$12.00 ROC |
| 2007-2008 | March 19, 2008 | \$274,920 ROC | \$12.00 ROC |
| 2006-2007 | Dec 8, 2006 | \$131,732.50 | \$5.75 Dividend |
| 2005-2006 | Oct 27, 2005 | \$115,050 | \$5.00 Dividend |
| 2004-2005 | Nov 9, 2004 | \$114,050 | \$5.00 Dividend |
| 2003-2004 | - | - | - |
| 2002-2003 | - | - | - |
| 2001-2002 ¹ | Oct 30, 2001 | \$114,550 | \$50.00 Dividend |

¹A share split occurred on November 29, 2001, at a ratio of 10:1, with the result being that 22,910 shares were issued and outstanding as of that date. Accordingly, the aggregate amount of dividends declared and paid by the board for the fiscal years 2004, 2005 and 2006 was essentially the same as in 2001, just allocated over more shares.

During the year ended December 31, 2019, the Company approved an eligible dividend to the shareholders of \$20.00 per share, totaling \$412,760. This dividend was paid out on December 15, 2019.

4. Financial Instruments

The carrying amounts of cash, accounts receivable, deposits, due from related party, investments, bank indebtedness, accounts payable and accrued liabilities, due to related party, lease liabilities and term loans approximate their fair value due to the short-term maturities of these items.

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

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

5. Risks

5.1 Foreign Exchange Risk

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

5.2 Credit Risk

The Company does have credit risk in accounts receivable of \$376,677 (2018- \$478,099). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company reduces its exposure to credit risk by performing credit evaluations on a regular basis, granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The Company maintains strict credit policies and limits with respect to counterparties. In the opinion of management, the credit risk exposure to the Company is low and is not material.

The Company's maximum credit exposure at the statements of financial position date consists primarily of the carrying amounts of accounts receivable. Amounts receivable from Viterra Inc. as of December 31, 2019, represents 73% (December 31, 2018 - 73%) of total accounts receivable.

5.3 Interest Rate Risk

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

The Company is exposed to interest rate risks with respect to its floating rate and operating line-of-credit. A 1.0% increase in interest rates relating to the Company's operating line-of-credit would reduce the Company's comprehensive income by approximately \$5,460 (2018 - \$2,925).

The Company is exposed to interest rate risks with respect to its fixed-rate long-term debt. A 1.0% increase in interest rates relating to the Company's long-term debt would reduce the Company's comprehensive income by \$1,919 (2018 - \$5,624).

5.4 Price Risk

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

date of sale to customers. The Company quotes spring prices to many of its customers, which may or may not be higher than the price at which they purchased it for. To mitigate a portion of this risk, the Company attempts to buy a portion of the product it expects to sell in advance of the normal purchasing window to take advantage of available discounts.

5.5 Liquidity Risk

The Company does have a liquidity risk in accounts payable and accrued liabilities of \$804,704 (2018 - \$1,890,695) and term loans of \$191,899 (2018 - \$562,397). Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintaining an adequate line of credit to repay trade creditors and repaying long-term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Company is low and is not material.

6. Related Party Transactions

During the year ended December 31, 2019, payroll expenses totaling \$1,984,840 (2018 - \$1,913,815) were paid by CMI, with \$1,278,006 being reimbursed by CMI JV.

During the year ended December 31, 2019, other operating and administrative expenses totaling \$54,672 (2018 - \$53,469) were paid by CMI and reimbursed by the Joint Venture, while other operating and administrative expenses amounting to \$14,839 (2018 - \$19,050) were paid by CMI JV and reimbursed by CMI. Additionally, other operating and administrative expenses of \$22,737 (2018 - \$18,865) were paid by the Joint Venture and reimbursed by CMI Ag.

The transactions are in the normal course of operations and are measured at amounts which approximated fair value as established and agreed by the related parties.

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

Of these amounts, the following balances are recorded in the consolidated statements of financial position:

| | December 31, 2019 | December 31, 2018 |
|-----------------|-------------------|-------------------|
| Due from CMI JV | \$112,773 | \$120,621 |
| Due to CMI JV | - | (\$859) |

6.1 Key Management Personnel

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

6.2 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 benefits received, but excluded out-of-pocket reimbursements.

Compensation paid for the year ended December 31, 2019 to key management personnel totaled \$758,811 (2018 - \$666,573).

6.3 Other Transactions with Directors

During the year ended December 31, 2019, the Company made \$237,176 (2018 - \$701,693) sales of crop inputs to directors or corporations controlled by directors.

During the year ended December 31, 2019, the Company purchased grain from the directors or corporations controlled by directors. Of the total revenue reported, \$41,606 (2018 - \$52,898) 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, 2019 (2018 - \$nil).

7. Governance Disclosure

The Company's management is responsible for ensuring that processes and procedures are in place to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. Management has a responsibility for ensuring that all information required to be disclosed in the Company's annual filings for the 12 months ended December 31, 2019 is recorded, processed, summarized and reported within the time years specified in the applicable Canadian Securities legislation.

8. Forward-Looking Information

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

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

9. Additional Information

The information contained in the Company's Information Circular dated March 18, 2020, is hereby incorporated by reference. This Management Discussion and Analysis Report, as well as additional information related to CMI, can be found at www.sedar.com.

**CERTIFICATION OF ANNUAL FILINGS
VENTURE ISSUER BASIC CERTIFICATE**

I, **Andrew B. Kolbeck, CEO of CMI Terminal Ltd. (referred to herein as the “Issuer”)**, acting in my capacity as chief executive officer of the Issuer, certify the following:

1. **Review:** I have reviewed the annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference therein (together, referred to herein as the “annual filings”) of the Issuer for the financial year ended December 31, 2019.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: March 11th, 2020.

“signed by Andrew B. Kolbeck”

Andrew B. Kolbeck
Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**CERTIFICATION OF ANNUAL FILINGS
VENTURE ISSUER BASIC CERTIFICATE**

I, **Jesse Wasmuth, Chief Financial Officer of CMI Terminal Ltd. (referred to herein as the “Issuer”)**, acting in my capacity as chief financial officer of the Issuer, certify the following:

1. **Review:** I have reviewed the annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference therein (together, referred to herein as the “annual filings”) of the Issuer for the financial year ended December 31, 2019.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: March 11th, 2020

“signed by Jesse Wasmuth”

Jesse Wasmuth
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CMI Terminal Ltd.

Consolidated financial statements
December 31, 2019 and 2018



Independent auditor's report

To the Shareholders of
CMI Terminal Ltd.

Opinion

We have audited the consolidated financial statements of **CMI Terminal Ltd.** and its subsidiaries [collectively, the "Company"], which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- ♦ Management's Discussion & Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saskatoon, Canada
March 6, 2020

Ernst & Young LLP

Chartered Professional Accountants



CMI Terminal Ltd.**Consolidated statements of financial position**

As at December 31

| | 2019 | 2018 |
|--|------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash <i>[note 5]</i> | 1,362,188 | 2,641,941 |
| Accounts receivable <i>[note 6]</i> | 376,677 | 478,099 |
| Inventory <i>[note 7]</i> | 2,848,036 | 2,782,708 |
| Deposits | 718,205 | 22,600 |
| Income taxes receivable | - | 91,984 |
| Due from related party <i>[note 15]</i> | 112,773 | 120,621 |
| Total current assets | 5,417,879 | 6,137,953 |
| Investments | 157,516 | 143,308 |
| Property, plant and equipment <i>[notes 8 & 9]</i> | 4,169,883 | 4,012,462 |
| | 9,745,278 | 10,293,723 |
| Liabilities and shareholders' equity | | |
| Current | | |
| Bank indebtedness <i>[note 10]</i> | 1,037,000 | 55,000 |
| Accounts payable and accrued liabilities | 804,704 | 1,890,695 |
| Income taxes payable | 83,590 | - |
| Deferred revenue | 939,763 | 1,314,535 |
| Due to related party <i>[note 15]</i> | - | 859 |
| Lease liabilities <i>[note 9]</i> | 42,205 | - |
| Current portion of term loans <i>[note 11]</i> | 39,106 | 320,743 |
| Callable portion of term loans <i>[note 11]</i> | 152,793 | - |
| Total current liabilities | 3,099,161 | 3,581,832 |
| Term loans <i>[note 11]</i> | - | 241,654 |
| Deferred income taxes | - | 70,139 |
| Total liabilities | 3,099,161 | 3,893,625 |
| Commitments and contingencies <i>[note 18]</i> | | |
| Shareholders' equity | | |
| Share capital <i>[note 12]</i> | 489,560 | 489,560 |
| Retained earnings | 6,156,557 | 5,910,538 |
| Total shareholders' equity | 6,646,117 | 6,400,098 |
| | 9,745,278 | 10,293,723 |

See accompanying notes

On behalf of the Board

(Lance Stockbrugger) Director(Mark Fohse) Director

CMI Terminal Ltd.**Consolidated statements of comprehensive income**

Years ended December 31

| | 2019 \$ | 2018 \$ |
|---|-------------------|------------|
| Sales [notes 13 & 15] | 16,432,445 | 15,638,299 |
| Cost of sales | 12,376,296 | 11,741,664 |
| Gross profit | 4,056,149 | 3,896,635 |
| Expenses | | |
| Depreciation [note 8] | 374,071 | 350,506 |
| Interest and bank charges | 28,685 | 46,930 |
| Office and administration [note 15] | 1,176,027 | 1,110,372 |
| Rent [note 9] | 39,826 | 9,141 |
| Repairs and maintenance | 328,450 | 303,463 |
| Wages and benefits [note 15] | 1,356,718 | 1,299,732 |
| | 3,303,777 | 3,120,144 |
| Income before interest, other income and income taxes | 752,372 | 776,491 |
| Other income (expenses) | | |
| Interest on term loan | (10,004) | (27,083) |
| Other income | 134,008 | 251,147 |
| | 124,004 | 224,064 |
| Income before income taxes | 876,376 | 1,000,555 |
| Income tax (recovery) [note 14] | | |
| Current | 287,736 | 176,856 |
| Deferred | (70,139) | 463 |
| | 217,597 | 177,319 |
| Total comprehensive income for the year | 658,779 | 823,236 |
| Basic and diluted income per share | 31.92 | 39.89 |
| Average weighted number of common shares | 20,638 | 20,638 |

See accompanying notes

CMI Terminal Ltd.

Consolidated statements of changes in equity

Years ended December 31

| | Share capital | Retained earnings | Total |
|---|----------------------|--------------------------|------------------|
| | \$ | \$ | \$ |
| Balance, December 31, 2017 | 489,560 | 5,438,148 | 5,927,708 |
| Total comprehensive income for the year | - | 823,236 | 823,236 |
| Dividends | - | (350,846) | (350,846) |
| Balance, December 31, 2018 | 489,560 | 5,910,538 | 6,400,098 |
| Total comprehensive income for the year | - | 658,779 | 658,779 |
| Dividends | - | (412,760) | (412,760) |
| Balance, December 31, 2019 | 489,560 | 6,156,557 | 6,646,117 |

See accompanying notes

CMI Terminal Ltd.**Consolidated statements of cash flows**

Years ended December 31

| | 2019 | 2018 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Operating activities | | |
| Total comprehensive income for the year | 658,779 | 823,236 |
| Add (deduct) items not involving cash | | |
| Depreciation | 374,071 | 350,506 |
| Deferred income taxes | (70,139) | 463 |
| Loss on sale of property, plant and equipment | - | 384 |
| Accretion of lease liabilities | 2,366 | - |
| Gain on lease modification | (185) | - |
| Net change in non-cash working capital balances | | |
| Accounts receivable | 101,422 | 74,704 |
| Inventory | (65,328) | 320,030 |
| Deposits | (695,605) | 189,613 |
| Income taxes receivable | 91,984 | 102,323 |
| Accounts payable and accrued liabilities | (1,085,989) | 358,726 |
| Income taxes payable | 83,590 | - |
| Deferred revenue | (374,772) | (137,035) |
| Cash (used in) provided by operating activities | (979,806) | 2,082,950 |
| Investing activities | | |
| Purchase of property, plant and equipment | (448,464) | (192,064) |
| Proceeds on disposal of property, plant and equipment | - | 4,500 |
| Increase in investments | (14,209) | (36,472) |
| Advances to related party | 7,848 | (100,108) |
| Advances from related party | (859) | 347 |
| Cash used in investing activities | (455,684) | (323,797) |
| Financing activities | | |
| Increase (decrease) of bank indebtedness | 982,000 | (475,000) |
| Repayment of lease liabilities | (43,005) | - |
| Repayment of term loans | (581,450) | (336,035) |
| Proceeds from issuance of term loans | 210,952 | - |
| Dividends | (412,760) | (350,846) |
| Cash provided by (used in) financing activities | 155,737 | (1,161,881) |
| Net (decrease) increase in cash during the year | (1,279,753) | 597,272 |
| Cash, beginning of year | 2,641,941 | 2,044,669 |
| Cash, end of year | 1,362,188 | 2,641,941 |
| Cash consists of: | | |
| Cash | 767,971 | 2,074,077 |
| Cash [Joint Venture] | 594,217 | 567,864 |
| | 1,362,188 | 2,641,941 |
| Supplemental disclosure of cash flow information | | |
| Interest paid | 36,411 | 74,013 |
| Income taxes paid | 203,543 | 357,632 |

See accompanying notes

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

1. Nature of operations

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

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

Under the terms of the Agreement, all export-bound 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 the time of purchase. The Company, therefore, does not record grain inventory in its consolidated accounting records.

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

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

2. Basis of preparation and statement of compliance

The consolidated financial statements have been prepared in accordance with Part I of the *Chartered Professional Accountants of Canada ["CPA"] Handbook - International Financial Reporting Standards ["IFRS"]*. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ["IASB"] and interpretations adopted by the International Financial Reporting Interpretations Committee ["IFRIC"].

The consolidated financial statements were approved by the Board of Directors on March 6, 2020.

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

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

3. Summary of significant accounting policies

The significant accounting policies are as follows:

Basis of consolidation

These consolidated financial statements include the accounts of CMI Terminal Ltd., its wholly owned subsidiary CMI Ag Ltd., and its investment in CMI Terminal Joint Venture.

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

Cash

Cash consists of balances with financial institutions.

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined using first-in, first-out ["FIFO"]. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Property, plant and equipment

Property, plant and equipment ["PP&E"] is stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Land has an unlimited useful life and is, therefore, not depreciated.

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

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

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

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

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

To date, the Company has recognized no impairments.

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

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

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease [i.e., the date the underlying asset is available for use]. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|---------------------|----------|
| Fertilizer spreader | 10 years |
|---------------------|----------|

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment consistent with the impairment policy as described in the property, plant and equipment policy above. To date, the Company has recognized no impairments.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments [including in-substance fixed payments] less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses [unless they are incurred to produce inventories] in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments [e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments] or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of other equipment and vehicles [i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option]. It also applies the lease of low-value assets recognition exemption to leases of office and other equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Revenue recognition

The Company principally generates revenue through two main streams; crop production products and services and grain handling.

Crop production products and services consists of the sale of crop input products and servicing the application of fertilizer to farmer's fields. Each promised good or service is accounted for separately as a performance obligation if it is distinct and revenue is recognized when performance obligations are fulfilled. For the sale of crop input products, revenue is recognized at the point in time when the goods are transferred to the customer which is upon delivery of goods. For fertilizer application revenue, the revenue is recognized over the time that the service is provided to the customer. Revenue is measured based on the transaction price specified in the contract with the customer.

Grain handling services are comprised of various activities including grain elevation, cleaning, drying and storage. Although each activity is capable of being distinct, the activities are not distinct within the context of the contract with the customer and are therefore considered one overall service or performance obligation. The customer benefits from the services as activities are performed and therefore revenue recognition over time is appropriate. However, as the timing, sequence and duration of activities during the process varies and thus there is no reasonable basis to measure progress of the satisfaction of the performance obligation, revenue is not recognized until the point of shipment as that is when progress can be reasonably measured as all of the required activities are complete. The transaction price for grain handling includes variable components specified in the contract with the customer including grade blending adjustments and shared marketing fees which are recognized in conjunction with the processing revenue for the related grain.

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, 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.

Foreign currency translation

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

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

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Income tax

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

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

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts and amounts used for tax purposes. These amounts are measured using enacted or substantially enacted tax rates at the reporting date and remeasured annually for rate changes. Deferred income tax assets are recognized for the benefit of deductions available to be carried forward to future periods for tax purposes to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any effects of the remeasurement or reassessment are recognized in the period of change, except when they relate to items recognized directly in other comprehensive income. The Company is taxed at an effective rate of 27% [2018 - 27%] on taxable earnings.

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

Earnings per share

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

Financial asset impairment

The Company recognizes an allowance for expected credit losses ["ECLs"] for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months [a 12-month ECL]. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default [a lifetime ECL].

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Financial asset impairment [continued]

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Fair value hierarchy

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

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

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

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or liability and may affect placement within the fair value hierarchy. Cash, accounts receivable, deposits, due from related party, investments, bank indebtedness, accounts payable and accrued liabilities, due to related party, lease liabilities and term loans are classified as Level 1 instruments.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ["OCI"], and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Financial assets [continued]

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ["SPPI"] on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial asset, or both.

Purchases or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through OCI ["FVOCI"] with recycling of cumulative gain and losses [debt instrument]
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition [equity instrument]
- Financial assets at fair value through profit or loss ["FVTPL"]

Financial assets at amortized cost

The Company has classified cash, accounts receivable, and due from related party at amortized cost.

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount owing.

Financial assets at amortized cost are subsequently measured using the effective interest ["EIR"] method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is unrecognized, modified or impaired.

Financial assets at fair value through OCI (debt instrument)

The Company has not classified any financial asset as fair value through OCI (debt instrument).

The Company measures financial assets at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and,
- The contractual term of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount owing.

For financial assets at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measure at amortized cost. The remaining fair value changes are recognized in OCI, upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit of loss.

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Financial assets [continued]

Financial assets at fair value through OCI (equity instrument)

The Company has not classified any financial asset as fair value through OCI (equity instrument).

Upon initial recognition, the Company can elect to classify irrevocably its equity investment as equity investments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

The Company has classified deposits and investments at fair value through profit or loss.

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Company has not irrevocably elected to classify at fair value through OCI. Dividends on equity instruments are recognized as other income in the statement of profit and loss when the right of payment has been established.

Financial instruments [continued]

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include bank indebtedness, accounts payable and accrued liabilities, lease liabilities and due to related party.

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Financial instruments [continued] [continued]

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

The Company has designated bank indebtedness as at fair value through profit or loss.

Financial liabilities measured at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

The Company has designated accounts payable and accrued liabilities, due to related party, lease liabilities and term loans as loans and borrowings.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are unrecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Use of estimates and judgments

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

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Use of estimates and judgments [continued]

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

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

[b] Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for ECLs is provided where considered necessary. The Company uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

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

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

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

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

[h] In order to estimate the transaction price for goods with a right of return, management must estimate the amount of product returns that are expected to occur. Due to a history of low historical returns in the crop input products division, product returns are estimated to be nil.

[i] Judgment was required to determine whether a contract or arrangement contains a lease under IFRS 16 Leases and if it is reasonably certain that an extension option will be exercised. Estimates were made regarding the appropriate lease term and rate at which to discount the lease payments.

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

Notes to consolidated financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2019 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

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

[a] Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

4. Adoption of new accounting policies

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below:

IFRS 16 Leases

The Company adopted IFRS 16 using the modified retrospective method, which in the Company's case resulted in prospective application as there was no impact to opening retained earnings on transition.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The incremental borrowing rate applied to the lease liabilities on January 1, 2019, was 3.95%.

The carrying amount of the right-of-use assets and lease liabilities is remeasured if there is a modification of the lease, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to exercise a purchase, extension or termination option.

The assets leased by the Company during the period consist of computer equipment and a fertilizer spreader. Low-value assets, for which the Company has used the low-value lease exemption, comprise small office equipment, other equipment and vehicles.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standards:

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and,
- recognition exemptions for low-value leases

Impact of adopting IFRS 16 on the consolidated statements of financial position:

| | December 31, 2018 \$ | IFRS 16 adjustments \$ | January 1, 2019 \$ |
|---|----------------------------|------------------------------|--------------------------|
| Right-of-use asset | - | 86,180 | 86,180 |
| Lease liabilities | - | (86,180) | (86,180) |
| Net impact on financial position | - | - | - |
| Undiscounted operating lease commitments at December 31, 2018 | | | 106,534 |
| Operating lease commitments that did not qualify as leases under IFRS 16 | | | (17,129) |
| Effect of discounting using the incremental borrowing rate at January 1, 2019 | | | (3,225) |
| Total lease liabilities at January 1, 2019 | | | 86,180 |

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

4. Adoption of new accounting policies [continued]

Impact on the statements of comprehensive income as a result of the adoption of IFRS 16:

| | 2019 |
|--|-----------------|
| | \$ |
| Depreciation | 23,874 |
| Office and administration | (41,009) |
| Gain on lease modification | 185 |
| Net impact on total comprehensive income | (16,950) |

Impact on the statements of cash flows as a result of the adoption of IFRS 16:

| | 2019 |
|--------------------------------|-----------------|
| | \$ |
| Operating activities | |
| Depreciation | 23,874 |
| Accretion of lease liabilities | 2,366 |
| Gain on lease modification | (185) |
| Financing activities | |
| Repayment of lease liabilities | (43,005) |
| Net change in cash flows | (16,950) |

5. Cash

| | 2019 | 2018 |
|--|------------------|-------------|
| | \$ | \$ |
| Cash held in bank accounts | 767,971 | 2,074,078 |
| Cash held in bank accounts [Joint Venture] | 391,730 | 255,145 |
| Cash held in business investment account [Joint Venture] | 202,487 | 312,718 |
| | 1,362,188 | 2,641,941 |

Cash held in the Scotiabank business investment account bears interest at Scotia's treasury rate of 1.10% [2018 - 1.10%].

6. Accounts receivable

| | 2019 | 2018 |
|-----------------------------------|----------------|-------------|
| | \$ | \$ |
| Viterra Inc. | 276,093 | 346,770 |
| Trade receivable | 86,002 | 128,915 |
| Supplier rebates | 8,739 | - |
| Goods and Services Tax receivable | 5,843 | 2,414 |
| | 376,677 | 478,099 |

All amounts are considered collectible and all balances are less than 30 days old.

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

7. Inventory

| | 2019 | 2018 |
|-----------------------|------------------|-------------|
| | \$ | \$ |
| Chemical | 1,532,992 | 2,103,665 |
| Fertilizer | 927,627 | 352,582 |
| NH3 | 144,578 | 166,986 |
| Seed | 134,546 | 48,608 |
| Agriculture equipment | 108,293 | 110,867 |
| | 2,848,036 | 2,782,708 |

The cost of inventories recognized as an expense and included in cost of sales amounted to \$12,300,305 [2018 - \$11,721,229].

8. Property, plant and equipment

Cost

| | Balance at December 31, 2017 | Net additions and disposals | Balance at December 31, 2018 | Net additions and disposals | Balance at December 31, 2019 |
|---------------------------|---|--|---|--|---|
| | \$ | \$ | \$ | \$ | \$ |
| Buildings | 5,565,791 | 156,252 | 5,722,043 | 16,203 | 5,738,246 |
| Computer equipment | 73,856 | - | 73,856 | 13,295 | 87,151 |
| Crop protection equipment | 909,159 | - | 909,159 | 312,258 | 1,221,417 |
| Equipment | 1,616,566 | 12,016 | 1,628,582 | 106,496 | 1,735,078 |
| NH3 equipment | 1,135,151 | 8,295 | 1,143,446 | 212 | 1,143,658 |
| Rail siding | 168,691 | - | 168,691 | - | 168,691 |
| Right-of-use assets | - | - | - | 80,666 | 80,666 |
| Vehicles | 294,745 | (20,000) | 274,745 | - | 274,745 |
| Land | 83,845 | - | 83,845 | - | 83,845 |
| | 9,847,804 | 156,563 | 10,004,367 | 529,130 | 10,533,497 |

Accumulated depreciation

| | Balance at December 31, 2017 | Depreciation and disposals | Balance at December 31, 2018 | Depreciation and disposals | Balance at December 31, 2019 |
|---------------------------|---|---------------------------------------|---|---------------------------------------|---|
| | \$ | \$ | \$ | \$ | \$ |
| Buildings | 2,865,352 | 127,795 | 2,993,147 | 130,125 | 3,123,272 |
| Computer equipment | 73,805 | 51 | 73,856 | 1,329 | 75,185 |
| Crop protection equipment | 599,743 | 29,122 | 628,865 | 49,790 | 678,655 |
| Equipment | 1,324,159 | 56,483 | 1,380,642 | 40,165 | 1,420,807 |
| NH3 equipment | 561,118 | 94,320 | 655,438 | 104,353 | 759,791 |
| Rail siding | 31,280 | 4,216 | 35,496 | 4,216 | 39,712 |
| Right-of-use assets | - | - | - | 21,511 | 21,511 |
| Vehicles | 216,559 | 7,902 | 224,461 | 20,220 | 244,681 |
| | 5,672,016 | 319,889 | 5,991,905 | 371,709 | 6,363,614 |

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

8. Property, plant and equipment [continued]

Net book value

| | 2019 \$ | 2018 \$ |
|---------------------------|------------------|------------------|
| Buildings | 2,614,974 | 2,728,896 |
| Computer equipment | 11,966 | - |
| Crop protection equipment | 542,762 | 280,294 |
| Equipment | 314,271 | 247,940 |
| NH3 equipment | 383,867 | 488,008 |
| Rail siding | 128,979 | 133,195 |
| Right-of-use assets | 59,155 | - |
| Vehicles | 30,064 | 50,284 |
| Land | 83,845 | 83,845 |
| | <u>4,169,883</u> | <u>4,012,462</u> |

The Company had non-cash additions to property, plant and equipment of \$80,666 [2018 - \$nil].

9. Leases

The Company has lease contracts for a fertilizer spreader and computer equipment used in its operations. The leases have terms of 3 and 5 years, respectively, and are secured by the lessor's title to the leased assets.

The Company also has certain leases of other equipment, vehicles and office equipment with lease terms of 12 months or less or that are low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The carrying amounts of the right-of-use assets recognized and the changes in the period are as follows:

| | 2019 \$ |
|--------------------------------------|----------------------|
| Opening balance on transition | 86,180 |
| Depreciation expense | (23,874) |
| Disposals | (3,151) |
| Ending balance | <u>59,155</u> |

The carrying amounts of lease liabilities and the changes during the period are as follows:

| | 2019 \$ |
|--------------------------------------|----------------------|
| Opening balance on transition | 86,180 |
| Accretion of interest | 2,366 |
| Payments | (43,005) |
| Disposals | (3,336) |
| Ending balance | <u>42,205</u> |

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

9. Leases [continued]

The following amounts have been recognized in profit or loss:

| | 2019 |
|---|---------------|
| | \$ |
| Depreciation expense of right-of-use assets | 23,874 |
| Interest expense on lease liabilities | 2,366 |
| Expense relating to short-term and low-value leases | 46,426 |
| Gain on lease modification | (185) |
| | 72,481 |

The Company had non-cash additions to right-of-use assets and lease liabilities of \$86,180 [2018 - \$nil]. During the year, the Company terminated its lease of computer equipment it had entered into on February 11, 2015.

10. Bank indebtedness

Bank indebtedness includes an operating loan amounting to \$1,037,000 [2018 - \$55,000] and bearing interest at prime [2018 - prime plus 0.20%]. At December 31, 2019 the prime rate was 3.95% [2018 - 3.95%]. 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 for the year ended December 31, 2019. Security on the operating line is a general security agreement and a guarantee given by the parent company to an unlimited amount. Bank indebtedness is authorized to a maximum of \$6,000,000 [2018 - \$6,000,000].

11. Term loans

| | 2019 | 2018 |
|---|----------------|-------------|
| | \$ | \$ |
| 4.99% Affinity Credit Union demand term loan payable in blended semi-annual instalments of \$24,100, secured by equipment, due May 2024 | 191,899 | - |
| Term loan payable, repaid in 2019 | - | 422,964 |
| Term loan payable, repaid in 2019 | - | 139,433 |
| | 191,899 | 562,397 |
| Less current portion | 39,106 | 320,743 |
| Less callable portion | 152,793 | - |
| | - | 241,654 |

Callable portion of term loan

Under International Financial Reporting Standards, all long-term debt that is demand in nature must be present as current. Accordingly, the Company's demand term loan is considered a current liability and, therefore, is included in the current portion of term loans, even though payment terms extending beyond one year have been arranged with the bank.

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

11. Term loans [continued]

Management does not believe the demand features of the callable debt will be exercised in the current period. Assuming payment of the callable debt is not demanded, regular principal repayments are as follows:

| | \$ |
|------|----------------|
| 2020 | 39,106 |
| 2021 | 41,082 |
| 2022 | 43,157 |
| 2023 | 45,338 |
| 2024 | 23,216 |
| | <u>191,899</u> |

12. Share capital

Authorized

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

Unlimited 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

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

Unlimited 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

| | 2019 \$ | 2018 \$ |
|-----------------------|----------------|------------|
| 20,638 Class A shares | <u>489,560</u> | 489,560 |

On December 15, 2019, the Company paid dividends on the Class A shares in the amount of \$20 per share for a total of \$412,760 by way of cash payment. On December 15, 2018, the Company paid dividends on the Class A shares in the amount of \$17 for a total of \$350,846 by way of cash payment.

13. Sales

The Company principally generates revenue through two main streams; crop production products and services and grain handling.

Crop production products and services include the sale of crop input products and servicing the application of fertilizer to farmer's fields. Ancillary revenue is also earned through equipment sales, equipment rentals and through storage services.

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

13. Sales [continued]

For crop input revenue, revenue is recognized at the point in time when the goods are transferred to the customer which is upon delivery of goods to the farmer. For application revenue, the revenue is recognized over the time that the service is provided to the customer.

Grain handling includes grain elevation, cleaning, drying, and storage.

All of the Company's crop production products and services and grain handling revenue is earned within the region of Saskatchewan, Canada and therefore, the Company does not disaggregate revenue geographically. The Company disaggregates revenue by category as follows:

| | 2019 \$ | 2018 \$ |
|---------------------------|-------------------|-------------------|
| Crop input sales | 13,365,625 | 13,035,944 |
| Grain handling | 2,606,342 | 2,146,224 |
| Application of fertilizer | 435,502 | 378,351 |
| Rental and storage sales | 18,420 | 66,502 |
| Equipment sales | 6,556 | 11,278 |
| | 16,432,445 | 15,638,299 |

The Company applies the practical expedient where disclosure of remaining performance obligations is not required if the original expected contract duration is less than 12 months. At December 31, 2019, the Company has no remaining performance obligations for contracts in place where the expected duration of the contract is greater than 12 months.

14. Income taxes

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

| | 2019 \$ | 2018 \$ |
|--|----------------|----------------|
| | 27% | 27% |
| Anticipated income tax | 236,622 | 270,150 |
| Tax effect of the following: | | |
| Effect of small business deduction rates | (85,000) | (85,000) |
| Impact of current year temporary differences at deferred tax rates | 12,922 | (12,922) |
| Impact of lease payments | (10,385) | - |
| Deferred tax asset not recognized | 50,100 | - |
| Foreign taxes withheld | 12,347 | - |
| Other | 991 | 5,091 |
| Income tax expense | 217,597 | 177,319 |

The Company, through its operations, has access to, for income tax purposes, non-capital loss carryforwards in the amount of \$538,683 [2018 - \$13,952]. These non-capital loss carryforwards have been taken into account for purposes of calculating deferred income taxes and begin to expire in 2037.

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

15. Related party transactions

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

Total sales and cost of sales reported include sales in the amount of \$2,586,512 [2018 - \$2,146,224] and cost of sales in the amount of \$68,624 [2018 - \$20,435] which were made with Viterra Inc. Of the total sales and purchases from Viterra Inc., \$276,093 [2018 - \$346,770] is recorded as a receivable. The balance receivable bears no interest and is payable upon invoicing. No provision for doubtful debts has been recognized in relation to the outstanding balance.

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

Key management personnel

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

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

Compensation paid for the year ended December 31, 2019, to key management personnel totaled \$758,811 [2018 - \$666,573].

Other transactions with directors

During the year ended December 31, 2019, the Company made \$237,176 [2018 - \$701,693] sales of crop inputs to directors or corporations controlled by directors.

During the year ended December 31, 2019, the Company purchased grain from the directors or corporations controlled by directors. Of the total revenue reported, \$41,606 [2018 - \$52,898] 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, 2019 [2018 - \$nil].

| | 2019 \$ | 2018 \$ |
|----------------------------|----------------|----------------|
| Due from CMI Joint Venture | 112,773 | 120,621 |
| Due to CMI Joint Venture | - | (859) |
| | <u>112,773</u> | <u>119,762</u> |

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

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

16. Capital management

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

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

The Company manages the following as capital:

| | 2019 | 2018 |
|-------------------|------------------|-------------|
| | \$ | \$ |
| Bank indebtedness | 1,037,000 | 55,000 |
| Term loan | 191,899 | 562,397 |
| Share capital | 489,560 | 489,560 |
| Retained earnings | 6,156,557 | 5,910,538 |
| | 7,875,016 | 7,017,495 |

The Company is bound by certain externally imposed covenants on its bank indebtedness. These covenants restrict the limit to which the Company can borrow to a limit of certain percentages on accounts receivable plus inventory and place restrictions on total debt based on the Company's earnings before interest, depreciation and amortization and set minimum levels for debt service coverage and a number of operating restrictions.

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

17. Segmented information

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

[a] Grain handling

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

[b] Crop production products and services

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

Total comprehensive income December 31, 2019

| | Grain handling \$ | Crop production products and services \$ | Total \$ |
|----------------------------|----------------------|--|---------------------|
| Revenues | 2,606,342 | 13,826,103 | 16,432,445 |
| Cost of sales | (75,991) | (12,300,305) | (12,376,296) |
| Gross profit | 2,530,351 | 1,525,798 | 4,056,149 |
| Operating expenses | | | (3,303,777) |
| Interest on term loan | | | (10,004) |
| Other revenue | | | 134,008 |
| Income taxes | | | (217,597) |
| Total comprehensive income | | | 658,779 |
| Depreciation | 166,922 | 207,149 | 374,071 |
| Asset additions | 108,433 | 340,031 | 448,464 |
| Total assets | 3,948,414 | 5,796,864 | 9,745,278 |

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

17. Segmented information [continued]

Total comprehensive income December 31, 2018

| | Grain handling \$ | Crop production products and services \$ | Total \$ |
|----------------------------|----------------------|--|--------------|
| Revenues | 2,146,224 | 13,492,075 | 15,638,299 |
| Cost of sales | (20,435) | (11,721,229) | (11,741,664) |
| Gross profit | 2,125,789 | 1,770,846 | 3,896,635 |
| Operating expenses | | | (3,120,144) |
| Interest on term loan | | | (27,083) |
| Other revenue | | | 251,147 |
| Income taxes | | | (177,319) |
| Total comprehensive income | | | 823,236 |
| Depreciation | 178,863 | 171,643 | 350,506 |
| Asset additions | 168,269 | 23,795 | 192,064 |
| Total assets | 3,993,353 | 6,300,370 | 10,293,723 |

18. Commitments and contingencies

At period-end, the Joint Venture held 5,441 [2018 - 11,557] tonnes of grain with a market value of \$1,040,884 [2018 - \$2,323,984] on behalf of Viterro Inc. and area producers. The Company is contingently liable for 50% of the value of this grain if losses in quality or quantity occur. This grain is not included in the Company's inventory.

19. Financial instruments

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

Risk management policy

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

CMI Terminal Ltd.

Notes to consolidated financial statements

December 31, 2019 and 2018

19. Financial instruments [continued]

Fair value of all financial assets and liabilities approximate carrying values

The carrying amounts of cash, accounts receivable, deposits, due from related party, investments, bank indebtedness, accounts payable and accrued liabilities, due to related party, lease liabilities and term loans approximate their fair value due to the short-term maturities of these items.

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

| | 2019 Fair value \$ | 2018 Fair value \$ |
|--|------------------------------|------------------------------|
| Financial assets | | |
| Cash | 1,362,188 | 2,641,941 |
| Accounts receivable | 376,677 | 478,099 |
| Deposits | 718,205 | 22,600 |
| Due from related party | 112,773 | 120,621 |
| Investments | 157,516 | 143,308 |
| Financial liabilities | | |
| Bank indebtedness | 1,037,000 | 55,000 |
| Accounts payable and accrued liabilities | 804,704 | 1,890,695 |
| Due to related party | - | 859 |
| Lease liabilities | 42,205 | - |
| Term loans | 191,899 | 562,397 |
| | 2019 Carrying value \$ | 2018 Carrying value \$ |
| Financial assets | | |
| Cash | 1,362,188 | 2,641,941 |
| Accounts receivable | 376,677 | 478,099 |
| Deposits | 718,205 | 22,600 |
| Due from related party | 112,773 | 120,621 |
| Investments | 157,516 | 143,308 |
| Financial liabilities | | |
| Bank indebtedness | 1,037,000 | 55,000 |
| Accounts payable and accrued liabilities | 804,704 | 1,890,695 |
| Due to related party | - | 859 |
| Lease liabilities | 42,205 | - |
| Term loans | 191,899 | 562,397 |

Foreign exchange risk

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

Notes to consolidated financial statements

December 31, 2019 and 2018

19. Financial instruments [continued]

Credit risk

The Company does have credit risk in accounts receivable of \$376,677 [2018 - \$478,099]. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company reduces its exposure to credit risk by performing credit valuations on a regular basis, granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The Company maintains strict credit policies and limits in respect to counterparties. In the opinion of management, the credit risk exposure to the Company is low and is not material.

The Company's maximum credit exposure at the consolidated statements of financial position date consists primarily of the carrying amounts of accounts receivable. Amounts receivable from Viterra Inc., a venturer as described in note 1, as at December 31, 2019 represents 73% [2018 - 73%] of total accounts receivable.

Liquidity risk

The Company does have a liquidity risk in accounts payable and accrued liabilities of \$804,704 [2018 - \$1,890,695] and term loans of \$191,899 [2018 - \$562,397]. Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintaining an adequate line of credit to repay trade creditors and repaying long-term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Company is low and is not material.

Interest rate risk

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

The Company is exposed to interest rate risks with respect to its floating rate and operating line-of-credit. A 1.00% increase in interest rates relating to the Company's operating line-of-credit would reduce the Company's comprehensive income by approximately \$5,460 [2018 - \$2,925].

The Company is exposed to interest rate risks with respect to its fixed rate term loan. A 1.00% increase in interest rates relating to the Company's long-term debt would reduce the Company's comprehensive income by \$1,919 [2018 - \$5,624].

Price risk

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

Notes to consolidated financial statements

December 31, 2019 and 2018

19. Financial instruments [continued]

Commodity price risk

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

The Company does not take ownership of oilseeds and grain inventories, and does not enter into derivative contracts. The commodity price risk relating to oilseeds and grains is therefore limited to the change in market prices while the Company holds inventories that they are contingently liable for as described in note 18.

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

20. Economic dependence

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

CMI Terminal Joint Venture

Financial statements
December 31, 2019 and 2018



Independent auditor's report

To the Venturers of
CMI Terminal Joint Venture

Opinion

We have audited the financial statements of **CMI Terminal Joint Venture** [the "Joint Venture"], which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in venturers' capital, and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Joint Venture as at December 31, 2019 and 2018, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Joint Venture in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Joint Venture's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Joint Venture or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Joint Venture's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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 Joint Venture's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Joint Venture's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Joint Venture to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saskatoon, Canada
March 6, 2020

Ernst & Young LLP

Chartered Professional Accountants



CMI Terminal Joint Venture

Statements of financial position

As at December 31

| | 2019 | 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash <i>[note 5]</i> | 1,188,434 | 1,135,726 |
| Accounts receivable <i>[note 6]</i> | 558,913 | 602,169 |
| Prepaid expenses | 12,924 | - |
| Total current assets | 1,760,271 | 1,737,895 |
| Property, plant and equipment <i>[note 7]</i> | 6,136,556 | 6,248,808 |
| | 7,896,827 | 7,986,703 |
| Liabilities and venturers' equity | | |
| Current | | |
| Accounts payable and accrued liabilities | 72,375 | 86,326 |
| Deferred revenue | 45,026 | 118,102 |
| Due to related parties <i>[note 9]</i> | 225,546 | 239,525 |
| Current portion of term loan <i>[note 10]</i> | - | 362,620 |
| Total current liabilities | 342,947 | 806,573 |
| Term loan <i>[note 10]</i> | - | 483,307 |
| Total liabilities | 342,947 | 1,289,880 |
| Commitments and contingencies <i>[note 11]</i> | | |
| Economic dependence <i>[note 12]</i> | | |
| Venturers' capital | 7,553,880 | 6,696,823 |
| | 7,896,827 | 7,986,703 |

See accompanying notes

On behalf of the Venturers

(Lance Stockbrugger) Venturer

(Larry Deydey) Venturer

CMI Terminal Joint Venture

Statements of comprehensive income

Years ended December 31

| | 2019 | 2018 |
|--|------------------|-----------|
| | \$ | \$ |
| Sales [note 9] | 5,212,684 | 4,292,448 |
| Cost of sales [note 9] | 151,983 | 40,870 |
| Gross profit | 5,060,701 | 4,251,578 |
| Expenses | | |
| Depreciation [note 7] | 333,845 | 357,726 |
| Office and administration [note 9] | 822,550 | 787,818 |
| Repairs and maintenance | 285,934 | 260,248 |
| Wages and benefits [note 9] | 1,278,006 | 1,235,230 |
| | 2,720,335 | 2,641,022 |
| Income before interest and other income | 2,340,366 | 1,610,556 |
| Interest on term loans | (14,959) | (40,219) |
| Other income | 31,650 | 22,786 |
| Total comprehensive income for the year | 2,357,057 | 1,593,123 |

See accompanying notes

CMI Terminal Joint Venture

Statements of changes in venturers' capital

Years ended December 31

| | 2019 | | | |
|-------------------|--|---|------------------------|--|
| | Balance, beginning of year \$ | Total comprehensive income for the year \$ | Drawings \$ | Balance, end of year \$ |
| Viterra Inc. | 3,348,411 | 1,178,529 | (750,000) | 3,776,940 |
| CMI Terminal Ltd. | 3,348,412 | 1,178,528 | (750,000) | 3,776,940 |
| | 6,696,823 | 2,357,057 | (1,500,000) | 7,553,880 |

| | 2018 | | | |
|-------------------|--|---|------------------------|--|
| | Balance, beginning of year \$ | Total comprehensive income for the year \$ | Drawings \$ | Balance, end of year \$ |
| Viterra Inc. | 3,116,768 | 796,561 | (564,918) | 3,348,411 |
| CMI Terminal Ltd. | 3,116,768 | 796,562 | (564,918) | 3,348,412 |
| | 6,233,536 | 1,593,123 | (1,129,836) | 6,696,823 |

See accompanying notes

CMI Terminal Joint Venture

Statements of cash flows

Years ended December 31

| | 2019 \$ | 2018 \$ |
|---|--------------------|--------------------|
| Operating activities | | |
| Total comprehensive income for the year | 2,357,057 | 1,593,123 |
| Add (deduct) items not involving cash | | |
| Depreciation | 333,845 | 357,726 |
| Accretion of lease liability | 177 | - |
| Gain on lease modification | (370) | - |
| Net change in non-cash working capital balances | | |
| Accounts receivable | 43,256 | (214,962) |
| Prepaid expenses | (12,924) | 6,069 |
| Accounts payable and accrued liabilities | (13,952) | (124,538) |
| Deferred revenue | (73,076) | 118,102 |
| Cash provided by operating activities | 2,634,013 | 1,735,520 |
| Investing activities | | |
| Purchase of property, plant and equipment | (216,866) | (336,538) |
| Cash used in investing activities | (216,866) | (336,538) |
| Financing activities | | |
| Advances to related party | (13,979) | 199,523 |
| Repayment of term loan | (845,927) | (358,704) |
| Repayment of lease liability | (4,533) | - |
| Drawings by venturers | (1,500,000) | (1,129,836) |
| Cash used in financing activities | (2,364,439) | (1,289,017) |
| Net increase in cash during the year | 52,708 | 109,965 |
| Cash, beginning of year | 1,135,726 | 1,025,761 |
| Cash, end of year | 1,188,434 | 1,135,726 |
| Supplemental disclosure of cash flow information | | |
| Interest paid | 14,959 | 40,219 |

See accompanying notes

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

1. Description of the business

CMI Terminal Joint Venture [the "Joint Venture"], was formed on November 2, 1998, pursuant to a Joint Venture Agreement [the "Agreement"] between CMI Terminal Ltd. and Viterra Inc. under the laws of the Province of Saskatchewan, Canada.

The Joint Venture was formed to develop, construct and operate a grain handling facility in Naicam, Saskatchewan.

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

Under the terms of the Agreement, all export-bound 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 the time of purchase. The Joint Venture, therefore, does not record grain inventory in its accounting records.

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

2. Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with Part I of the *Chartered Professional Accountants of Canada ["CPA"] Handbook - International Financial Reporting Standards ["IFRS"]*. The financial statements comply with IFRS as issued by the International Accounting Standards Board ["IASB"] and interpretations adopted by the International Financial Reporting Interpretations Committee ["IFRIC"].

The financial statements were approved by the Board of Directors on March 6, 2020.

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

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

3. Summary of significant accounting policies

The significant accounting policies used are as follows:

Cash

Cash consists of balances with financial institutions.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Property, plant and equipment

Property, plant and equipment ["PP&E"] is stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of major inspections, overhauls and replacement parts of an item of PP&E 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 Joint Venture, and its cost can be measured reliably. The cost of day-to-day maintenance PP&E 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 date they become available for use. Internally constructed assets are depreciated from the date an asset is available for use.

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

| | |
|--------------------|--------------|
| Buildings | 5 - 40 years |
| Computer equipment | 3 - 10 years |
| Equipment | 5 years |
| Rail siding | 40 years |
| Vehicles | 3 - 25 years |

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

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

To date, the Joint Venture has recognized no impairments.

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

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

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Leases

The Joint Venture assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Joint Venture applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Joint Venture recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Joint Venture recognizes right-of-use assets at the commencement date of the lease [i.e., the date the underlying asset is available for use]. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Joint Venture at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment consistent with the impairment policy as described in the property, plant and equipment policy above. To date, the Joint Venture has recognized no impairments.

Lease liabilities

At the commencement date of the lease, the Joint Venture recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments [including in-substance fixed payments] less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Joint Venture and payments of penalties for terminating the lease, if the lease term reflects the Joint Venture exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses [unless they are incurred to produce inventories] in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Joint Venture uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments [e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments] or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Joint Venture applies the short-term lease recognition exemption to its short-term leases of other equipment and vehicles [i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option]. It also applies the lease of low-value assets recognition exemption to leases of office and other equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Revenue recognition

The Joint Venture principally generates revenue from grain handling services. Grain handling services are comprised of various activities including grain elevation, cleaning, drying and storage. Although each activity is capable of being distinct, the activities are not distinct within the context of the contract with the customer and are therefore considered one overall service or performance obligation. The customer benefits from the services as activities are performed and therefore revenue recognition over time is appropriate. However, as the timing, sequence and duration of activities during the process varies and thus there is no reasonable basis to measure progress of the satisfaction of the performance obligation, revenue is not recognized until the point of shipment as that is when progress can be reasonably measured as all of the required activities are complete. The transaction price for grain handling includes variable components specified in the contract with the customer including grade blending adjustments and shared marketing fees which are recognized in conjunction with the processing revenue for the related grain.

All of the Joint Venture's revenue is earned within the region of Saskatchewan, Canada and therefore the Joint Venture does not disaggregate revenue geographically.

The Joint Venture applies the practical expedient where disclosure of remaining performance obligations is not required if the original expected contract duration is less than 12 months. At December 31, 2019, the Joint Venture has no remaining performance obligations for contracts in place where the expected duration of the contract is greater than 12 months.

Borrowing costs

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

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

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

Income taxes

No provision has been made for income taxes in these financial statements, as the income will be taxable to the joint venturers.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Financial asset impairment

The Joint Venture recognizes an allowance for expected credit losses ["ECLs"] for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Joint Venture expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months [a 12-month ECL]. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default [a lifetime ECL].

For trade receivables, the Joint Venture applies a simplified approach in calculating ECLs. Therefore, the Joint Venture does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Joint Venture considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Joint Venture may also consider a financial asset to be in default when internal or external information indicates that the Joint Venture is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Joint Venture. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Fair value hierarchy

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

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

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

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or liability and may affect placement within the fair value hierarchy. Cash, accounts receivable, accounts payable and accrued liabilities, due to related parties, and term loan are classified as Level 1 instruments.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ["OCI"], and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Joint Venture's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Joint Venture has applied the practical expedient, the Joint Venture initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Joint Venture has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ["SPPI"]' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Joint Venture's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial asset, or both.

Purchases or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through OCI ["FVOCI"] with recycling of cumulative gain and losses [debt instrument]
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition [equity instrument]
- Financial assets at fair value through profit or loss ["FVTPL"]

Financial assets at amortized cost

The Joint Venture has classified cash and accounts receivable at amortized cost.

The Joint Venture measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount owing.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Financial assets [continued]

Financial assets at amortized cost are subsequently measured using the effective interest ["EIR"] method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through OCI [debt instrument]

The Joint Venture has not classified any financial asset as fair value through OCI [debt instrument].

The Joint Venture measures financial assets at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and,
- The contractual term of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount owing.

For financial assets at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measure at amortized cost. The remaining fair value changes are recognised in OCI, upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit of loss.

Financial assets at fair value through OCI [equity instrument]

The Joint Venture has not classified any financial asset as fair value through OCI [equity instrument].

Upon initial recognition, the Joint Venture can elect to classify irrevocably its equity investment as equity investments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Joint Venture benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

The Joint Venture has not classified any financial assets at fair value through profit or loss.

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Financial assets [continued]

This category includes equity investments which the Joint Venture has not irrevocably elected to classify at fair value through OCI. Dividends on equity instruments are recognized as other income in the statement of profit and loss when the right of payment has been established.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Joint Venture's financial liabilities include accounts payable and accrued liabilities and due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

The Joint Venture has not designated any financial liabilities at fair value through profit or loss.

Financial liabilities measured at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

The Joint Venture has designated accounts payable and accrued liabilities and due to related parties as loans and borrowings.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Use of estimates and judgments

The preparation of the Joint Venture's financial statements require management to make judgments, estimates, and assumptions that affect the reported amount 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

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

[b] Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance ELCs is provided where considered necessary. Although grain inventory on hand is owned by one of the Venturers, the Joint Venture is responsible for any differences in grade assessments discovered when product reaches its destination by rail. The Joint Venture uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns. The provision matrix is initially based on the Joint Venture's historical observed default rates. The Joint Venture will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

[c] Depreciation is based on the estimated useful lives of PP&E.

[d] Gains and losses resulting from grading grains and oilseeds, which are subjective in nature, are recognized in the period they occur.

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

[f] Judgment was required to determine whether a contract or arrangement contains a lease under IFRS 16 Leases and if it is reasonably certain that an extension option will be exercised. Estimates were made regarding the appropriate lease term and rate at which to discount the lease payments.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

3. Summary of significant accounting policies [continued]

Standards issued but not yet effective

The Joint Venture has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2019 but are not yet effective. Unless otherwise stated, the Joint Venture does not plan to early adopt any of these new or amended standards and interpretations

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

[a] Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Joint Venture will not be affected by these amendments on the date of transition.

4. Adoption of new accounting policies

The Joint Venture applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below:

IFRS 16 Leases

The Joint Venture adopted IFRS 16 using the modified retrospective method, which in the Joint Venture's case resulted in prospective application as there was no impact to opening retained earnings on transition.

On adoption of IFRS 16, the Joint Venture recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Joint Venture's incremental borrowing rate as of January 1, 2019. The incremental borrowing rate applied to the lease liabilities on January 1, 2019, was 3.95%.

The carrying amount of the ROU assets and lease liabilities is remeasured if there is a modification of the lease, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to exercise a purchase, extension or termination option.

The assets leased by the Joint Venture during the period consist of computer equipment. Low-value assets, for which the Joint Venture has used the low-value lease exemption, comprise small office equipment.

In applying IFRS 16 for the first time, the Joint Venture has used the following practical expedients permitted by the standards:

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and,
- recognition exemptions for low-value leases

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

4. Adoption of new accounting policies [continued]

Impact of adopting IFRS 16 on the statements of financial position:

| | December 31, 2018 \$ | IFRS 16 adjustments \$ | January 1, 2019 \$ |
|---|----------------------------|------------------------------|--------------------------|
| Right-of-use assets | - | 11,027 | 11,027 |
| Lease liabilities | - | (11,027) | (11,027) |
| Net impact on financial position | - | - | - |
| Undiscounted operating lease commitments at December 31, 2018 | | | 21,228 |
| Operating lease commitments that did not qualify as leases under IFRS 16 | | | (9,896) |
| Effect of discounting using the incremental borrowing rate at January 1, 2019 | | | (305) |
| | | | <u>11,027</u> |

Impact on the statements of comprehensive income as a result of the adoption of IFRS 16:

| | 2019 \$ |
|--|------------|
| Depreciation | 4,726 |
| Office and administration | (4,356) |
| Gain on lease modification | (370) |
| Net impact on total comprehensive income | <u>-</u> |

Impact on the statements of cash flows as a result of the adoption of IFRS 16:

| | 2019 \$ |
|--------------------------------|------------|
| Operating activities | |
| Depreciation | 4,726 |
| Gain on lease modification | (370) |
| Accretion of lease liability | 177 |
| Financing activities | |
| Repayment of lease liabilities | (4,533) |
| Net change in cash flows | <u>-</u> |

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

5. Cash

| | 2019 \$ | 2018 \$ |
|--|------------------|------------------|
| Cash held in bank accounts | 783,460 | 510,290 |
| Cash held in business investment account | 404,974 | 625,436 |
| | 1,188,434 | 1,135,726 |

Cash held in the Scotiabank business investment account bears interest at Scotia's treasury rate of 1.10% [2018 - 1.10%].

6. Accounts receivable

| | 2019 \$ | 2018 \$ |
|-----------------------------------|----------------|----------------|
| Viterra Inc. | 552,185 | 547,815 |
| Goods and Services Tax receivable | 4,044 | 3,735 |
| Accruals | 2,684 | 50,619 |
| | 558,913 | 602,169 |

All amounts are considered collectible and all balances are less than 30 days old.

7. Property, plant and equipment

Cost

| | Balance at December 31, 2017 \$ | Additions \$ | Balance at December 31, 2018 \$ | Additions \$ | Balance at December 31, 2019 \$ |
|--------------------|--|-----------------|--|-----------------|--|
| Buildings | 11,131,580 | 312,506 | 11,444,086 | 32,406 | 11,476,492 |
| Computer equipment | 147,711 | - | 147,711 | 26,591 | 174,302 |
| Equipment | 3,070,569 | 24,032 | 3,094,601 | 157,869 | 3,252,470 |
| Rail siding | 337,381 | - | 337,381 | - | 337,381 |
| Vehicles | 12,026 | - | 12,026 | - | 12,026 |
| Land | 101,293 | - | 101,293 | - | 101,293 |
| | 14,800,560 | 336,538 | 15,137,098 | 216,866 | 15,353,964 |

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

7. Property, plant and equipment [continued]

Accumulated depreciation

| | Balance at December 31, 2017 | Depreciation | Balance at December 31, 2018 | Depreciation | Balance at December 31, 2019 |
|--------------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Buildings | 5,730,704 | 255,592 | 5,986,296 | 260,246 | 6,246,542 |
| Computer equipment | 147,609 | 102 | 147,711 | 2,659 | 150,370 |
| Equipment | 2,587,241 | 91,192 | 2,678,433 | 55,373 | 2,733,806 |
| Rail siding | 62,557 | 8,435 | 70,992 | 8,435 | 79,427 |
| Vehicles | 2,453 | 2,405 | 4,858 | 2,405 | 7,263 |
| | 8,530,564 | 357,726 | 8,888,290 | 329,118 | 9,217,408 |

Net book value

| | 2019 | 2018 |
|--------------------|------------------|-----------|
| | \$ | \$ |
| Buildings | 5,229,950 | 5,457,790 |
| Computer equipment | 23,932 | - |
| Equipment | 518,664 | 416,168 |
| Rail siding | 257,954 | 266,389 |
| Vehicles | 4,763 | 7,168 |
| Land | 101,293 | 101,293 |
| | 6,136,556 | 6,248,808 |

8. Leases

The Joint Venture has lease contracts for computer equipment used in its operations. The lease has a term of 5 years and is secured by the lessor's title to the leased assets.

The Joint Venture also has certain leases of office equipment with lease terms of 12 months or less or that are low value. The Joint Venture applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The carrying amounts of the right-of-use assets recognized and the changes in the period are as follows:

| | 2019 |
|--------------------------------------|----------------|
| | \$ |
| Opening balance on transition | 11,027 |
| Depreciation expense | (4,726) |
| Disposals | (6,301) |
| Ending balance | - |

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

8. Leases [continued]

The carrying amounts of lease liabilities and the changes during the period are as follows:

| | <u>2019</u> \$ |
|--------------------------------------|-------------------|
| Opening balance on transition | 11,027 |
| Accretion of interest | 177 |
| Payments | (4,533) |
| Disposals | (6,671) |
| Ending balance | - |

The following amounts have been recognized in profit or loss:

| | <u>2019</u> \$ |
|---|-------------------|
| Depreciation expense of right-of-use assets | 4,726 |
| Interest expense on lease liabilities | 177 |
| Expense relating to short-term and low-value leases | 5,734 |
| Gain on lease modification | (370) |
| | 10,267 |

During the year, the Joint Venture terminated its lease of computer equipment it had entered into on February 11, 2015. As of December 31, 2019, the Joint Venture had no remaining lease commitments requiring recognition under the new standard.

9. Related party transactions

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

Total sales and cost of sales reported include sales in the amount of \$5,173,025 [2018 - \$4,410,550] and cost of sales in the amount of \$137,249 [2018 - \$40,870] which were made with Viterra Inc. Of the total sales and purchases from Viterra Inc., \$552,185 [2018 - \$547,815] is receivable. 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.

During the year ended December 31, 2019, payroll expenses attributable to the grain handling operations totaling \$1,278,006 [2018 - \$1,235,230] and other operating expenses totaling \$54,672 [2018 - \$53,469] were paid by CMI Terminal Ltd. and reimbursed by the Joint Venture.

During the year ended December 31, 2019, other operating and administrative expenses totaling \$14,839 [2018 - \$19,050] were paid by the Joint Venture and reimbursed by CMI Terminal Ltd.

During the year ended December 31, 2019, other operating and administrative expenses totaling \$22,737 [2018 - \$18,865] were paid by the Joint Venture and reimbursed by CMI Ag Ltd.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

9. Related party transactions [continued]

Of these amounts, the following balances are recorded at the net amount in the statements of financial position:

| | 2019 \$ | 2018 \$ |
|---------------------------------|------------------|------------------|
| Amounts due to/from CMI Ag Ltd. | (199) | 1,717 |
| Amount due to CMI Terminal Ltd. | <u>(225,347)</u> | <u>(241,242)</u> |
| | <u>(225,546)</u> | <u>(239,525)</u> |

CMI Terminal Ltd. is related to the Joint Venture by virtue of being one of the venturers. CMI Ag Ltd. is related to the Joint Venture by virtue of being a wholly owned subsidiary of CMI Terminal Ltd.

These transactions are in the normal course of operations and are measured at amounts which approximate fair value and is the amount of consideration established and agreed by the related parties.

Key management compensation of the Joint Venture

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

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

Compensation paid during the year ended December 31, 2019 to key management personnel totals \$414,358 [2018 - \$365,441].

Other transactions with directors

During the year ended December 31, 2019, the Joint Venture purchased grain from the directors or corporations controlled by directors, which resulted in revenue of \$83,212 [2018 - \$105,795] to the Joint Venture. The sales were made on the same terms and conditions available to all other customers. Of these amounts, \$nil is payable at year-end [2018 - \$nil].

10. Term loan

| | 2019 \$ | 2018 \$ |
|--|------------|----------------|
| Term loan payable in monthly instalments of \$32,537, plus interest at 4.09%, secured by a general security agreement, repaid during the year | - | 845,927 |
| Less current portion | - | <u>362,620</u> |
| | <u>-</u> | <u>483,307</u> |

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

11. Commitments and contingencies

At year-end, the Joint Venture held 5,441 [2018 - 11,557] tonnes of grain with a market value of \$1,040,884 [2018 - \$2,323,984] on behalf of Viterra Inc. and area producers. The Joint Venture is contingently liable for the value of this grain if losses in quality or quantity occur.

12. Economic dependence

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

13. Financial instruments

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

Risk management policy

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

Financial instruments carrying values and fair values

The carrying amounts of cash, accounts receivables, accounts payable and accrued liabilities, due to related parties, and term loan approximate their fair value due to the short-term maturities of these items.

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

| | 2019 Fair value \$ | 2018 Fair value \$ |
|--|--|--|
| Financial assets | | |
| Cash | 1,188,434 | 1,135,726 |
| Accounts receivable | 558,913 | 602,169 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 72,375 | 86,326 |
| Due to related parties | 225,546 | 239,525 |
| Term loan | - | 845,927 |

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

13. Financial instruments [continued]

| | 2019 Carrying value \$ | 2018 Carrying value \$ |
|--|------------------------------|------------------------------|
| Financial assets | | |
| Cash | 1,188,434 | 1,135,726 |
| Accounts receivable | 558,913 | 602,169 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 72,375 | 86,326 |
| Due to related parties | 225,546 | 239,525 |
| Term loan | - | 845,927 |

Foreign exchange risk

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

Credit risk

The Joint Venture does have credit risk in accounts receivable of \$558,913 [2018 - \$602,169]. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. In order to reduce the risk on its accounts receivable, the Joint Venture has adopted credit policies that include the regular review of credit limits and prepayment requirements with certain customers. In the opinion of management, the credit risk exposure to the Joint Venture is low and is not material.

The Joint Venture's maximum credit exposure at the statements of financial position date consists primarily of the carrying amounts of accounts receivable. Amounts receivable from Viterra Inc., a venturer as described in note 6, as at December 31, 2019, represents 99% [December 31, 2018 - 99%] of total accounts receivable.

Liquidity risk

The Joint Venture does have a liquidity risk in the accounts payable and accrued liabilities of \$72,375 [2018 - \$86,326], and term loan of \$nil [2018 - \$845,927]. Liquidity risk is the risk that the Joint Venture cannot repay its obligations when they become due to its creditors. The Joint Venture reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintaining an adequate line of credit to repay trade creditors and repaying term loan interest and principal as they become due. In the opinion of management, the liquidity risk exposure to the Joint Venture is low and is not material.

CMI Terminal Joint Venture

Notes to financial statements

December 31, 2019 and 2018

13. Financial instruments [continued]

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. Change 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 Joint Venture manages exposure through minimizing exposure to long-term financial instruments subject to interest rate risk and obtaining long-term debt with fixed rates. The Joint Venture does not speculate on interest rates.

The Joint Venture is exposed to interest rate risks with respect to its fixed rate term loan and fair value risk with respect to its interest-bearing cash account. A 1.00% increase in interest rates relating to the Joint Venture's long-term debt would reduce the Joint Venture's net and comprehensive income by \$nil [2018 - \$8,459]. A 1.00% decrease in interest rates related to the Joint Venture's business investment account would reduce the Joint Venture's net and comprehensive income by \$4,050 [2018 - \$6,254].

Commodity price risk

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

The Joint Venture does not take ownership of oilseeds and grains inventories, and does not enter into derivative contracts. The commodity price risk relating to oilseeds and grains is therefore limited to the change in market prices while the Joint Venture holds grain that they are contingently liable for as described in note 11.

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

14. Capital management

The Joint Venture's objectives when managing capital is to ensure that it has sufficient resources to maintain ongoing operations and meet debt covenants. The Joint Venture considers debt and venturer's capital in the definition of capital.

The Joint Venture 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 Joint Venture may adjust the amount of distributions paid to the Venturers, make cash calls, or sell assets to reduce debt.

The Joint Venture manages the following as capital:

| | 2019 | 2018 |
|--------------------|------------------|------------------|
| | \$ | \$ |
| Term loan | - | 845,927 |
| Venturers' capital | 7,553,880 | 6,696,823 |
| | <u>7,553,880</u> | <u>7,542,750</u> |