



**INPUTCAPITAL**  
THE AGRICULTURE STREAMING COMPANY

## **Financial Statements**

**for the year ended September 30, 2017, period  
ended September 30, 2016 and year ended  
March 31, 2016**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Input Capital Corp.

We have audited the accompanying financial statements of Input Capital Corp., which comprise the statements of financial position as at September 30, 2017, September 30, 2016 and March 31, 2016, and the statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for the twelve month period ended September 30, 2017, the six month period ended September 30, 2016 and the twelve month period ended March 31, 2016, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

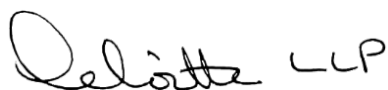
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Input Capital Corp. as at September 30, 2017, September 30, 2016 and March 31, 2016, and its financial performance and its cash flows for the twelve month period ended September 30, 2017, the six month period ended September 30, 2016 and the twelve month period ended March 31, 2016 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants  
Licensed Professional Accountants  
December 6, 2017  
Regina, Saskatchewan, Canada

## STATEMENTS OF FINANCIAL POSITION

|                                         | Note     | As at September 30, 2017 | As at September 30, 2016<br>(Note 2) | As at March 31, 2016 |
|-----------------------------------------|----------|--------------------------|--------------------------------------|----------------------|
| <b>ASSETS</b>                           |          |                          |                                      |                      |
| <b>Current</b>                          |          |                          |                                      |                      |
| Cash                                    | 7        | \$ 17,614,846            | \$ 16,642,665                        | \$ 24,772,200        |
| Trade and other receivables             | 6, 8     | 8,412,960                | 4,257,605                            | 442,326              |
| Income tax recoverable                  | 18       | -                        | 886,877                              | -                    |
| Current portion of canola interests     | 6, 8     | 14,964,597               | 28,878,396                           | 34,858,577           |
| Other financial assets                  | 6, 8     | 2,066,382                | 3,852,643                            | 78,987               |
| Assets held for sale                    | 9        | 827,653                  | 18,681,068                           | 4,411,155            |
| Prepaid expenses                        |          | 346,009                  | 206,733                              | 210,607              |
| Mortgages and loans receivable          | 10       | 73,500                   | -                                    | -                    |
|                                         |          | \$ 44,305,947            | \$ 73,405,987                        | \$ 64,773,852        |
| <b>Non-current</b>                      |          |                          |                                      |                      |
| Canola interests                        | 6, 8     | \$ 51,391,778            | \$ 45,025,627                        | \$ 56,151,693        |
| Deferred income tax assets              | 18       | 2,793,460                | -                                    | -                    |
| Capital and intangible assets           |          | 158,514                  | 116,077                              | 74,488               |
| Mortgages and loans receivable          | 10       | 12,255,210               | -                                    | -                    |
| Assets held under an agreement for sale | 11       | 9,650,000                | -                                    | -                    |
|                                         |          | \$ 120,554,909           | \$ 118,547,691                       | \$ 121,000,033       |
| <b>LIABILITIES</b>                      |          |                          |                                      |                      |
| <b>Current</b>                          |          |                          |                                      |                      |
| Trade and other payables                | 6, 8, 22 | \$ 8,676,274             | \$ 2,225,097                         | \$ 3,638,902         |
| Revolving credit facility               | 12       | 6,351,478                | -                                    | -                    |
| Income tax payable                      | 18       | 408,649                  | -                                    | 1,073,156            |
|                                         |          | \$ 15,436,401            | \$ 2,225,097                         | \$ 4,712,058         |
| <b>Non-current</b>                      |          |                          |                                      |                      |
| Deferred income tax liabilities         | 18       | \$ -                     | \$ 709,757                           | 266,121              |
|                                         |          | \$ -                     | \$ 709,757                           | \$ 266,121           |
| <b>EQUITY</b>                           |          |                          |                                      |                      |
| Share capital                           | 13       | \$ 109,741,237           | \$ 108,384,935                       | \$ 108,294,755       |
| Contributed surplus                     | 13       | 2,938,933                | 2,378,506                            | 2,016,829            |
| Retained (deficit) earnings             | 13       | (7,561,662)              | 4,849,396                            | 5,710,270            |
|                                         |          | \$ 105,118,508           | \$ 115,612,837                       | \$ 116,021,854       |
|                                         |          | \$ 120,554,909           | \$ 118,547,691                       | \$ 121,000,033       |

ON BEHALF OF THE BOARD

"Douglas Emsley", Director

"David H. Laidley", FCPA,  
FCA, Director

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

## STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

|                                                          | Note   | Year Ended September<br>30, 2017 | Six Months Ended<br>September 30, 2016 | Year Ended March 31,<br>2016 |
|----------------------------------------------------------|--------|----------------------------------|----------------------------------------|------------------------------|
|                                                          |        |                                  | (Note 2)                               |                              |
| <b>Revenue</b>                                           | 15     | \$ 29,035,578                    | \$ 8,042,239                           | \$ 46,704,461                |
| <b>Expenses and other income</b>                         |        |                                  |                                        |                              |
| Amortization of capital and intangible assets            |        | 38,218                           | 11,419                                 | 14,792                       |
| Corporate administration                                 | 17, 21 | 6,933,474                        | 4,660,844                              | 4,618,529                    |
| Interest expense on revolving credit                     | 12     | 87,586                           | -                                      | -                            |
| Interest income                                          |        | (776,201)                        | (84,217)                               | (362,689)                    |
| Net gain on settlements of canola interests              | 16     | (3,653,488)                      | -                                      | -                            |
| Other income                                             | 8      | (1,163,850)                      | (344,162)                              | (666,257)                    |
| Purchase of canola and other direct expenses             | 15     | 7,356,097                        | 550,987                                | 16,762,189                   |
| Realization of canola interests                          | 15     | 19,655,856                       | 6,539,318                              | 19,986,945                   |
| <b>Profit (loss) before the undernoted</b>               |        | \$ 557,886                       | \$ (3,291,950)                         | \$ 6,350,952                 |
| Unrealized market value (loss) gain                      | 8      | (12,927,686)                     | 2,256,124                              | 7,815,696                    |
| <b>Net income (loss) before income tax</b>               |        | \$ (12,369,800)                  | \$ (1,035,826)                         | \$ 14,166,648                |
| Income tax (recovery) expense                            | 18     | (3,239,153)                      | (174,952)                              | 3,990,235                    |
| <b>Net (loss) income and comprehensive (loss) income</b> |        | \$ (9,130,647)                   | \$ (860,874)                           | \$ 10,176,413                |
| <b>Basic (loss) earnings per share</b>                   | 14     | \$ (0.11)                        | \$ (0.01)                              | \$ 0.12                      |
| <b>Fully diluted (loss) earnings per share</b>           | 14     | (0.11)                           | (0.01)                                 | 0.12                         |

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

## STATEMENTS OF CASH FLOWS

| Cash flow from (applied to)                                                         | Note      | Year Ended September 30, 2017 | Six Months Ended September 30, 2016 | Year Ended March 31, 2016 |
|-------------------------------------------------------------------------------------|-----------|-------------------------------|-------------------------------------|---------------------------|
|                                                                                     |           |                               | (Note 2)                            |                           |
| <b>Operating activities</b>                                                         |           |                               |                                     |                           |
| <b>Net (loss) income for the period</b>                                             |           | \$ (9,130,647)                | \$ (860,874)                        | \$ 10,176,413             |
| Adjustments                                                                         |           |                               |                                     |                           |
| Amortization of capital and intangible assets                                       |           | 38,218                        | 11,419                              | 14,792                    |
| Deferred share unit expense (gain)                                                  | 21        | 169,343                       | 174,729                             | (208,548)                 |
| Deferred income tax (recovery) expense                                              | 18        | (3,921,495)                   | 234,498                             | 2,498,801                 |
| Interest income                                                                     |           | (776,201)                     | (84,217)                            | (362,689)                 |
| Interest received                                                                   |           | 418,287                       | 96,901                              | 391,313                   |
| Net non-cash proceeds from settlement of canola interests                           |           | (1,623,614)                   | -                                   | -                         |
| Realization of canola interests                                                     | 8, 15, 16 | 25,146,215                    | 6,539,318                           | 19,986,945                |
| Share based payments                                                                | 13        | 822,729                       | 387,857                             | 626,518                   |
| (Gain) loss from buy back of canola interests                                       | 8         | (927,726)                     | (9,614)                             | 154,909                   |
| Gain from sale of canola futures and options                                        | 8         | (64,661)                      | (185,028)                           | (585,515)                 |
| Unrealized market value loss (gain)                                                 | 8         | 12,927,686                    | (2,256,124)                         | (7,815,696)               |
| Changes in non-cash working capital                                                 | 19        | (577,224)                     | (5,657,785)                         | 4,314,123                 |
| <b>Cash generated from (applied to) operating activities</b>                        |           | \$ 22,500,910                 | \$ (1,608,920)                      | \$ 29,191,366             |
| <b>Investing activities</b>                                                         |           |                               |                                     |                           |
| Acquisition of canola interests                                                     | 8         | (33,480,159)                  | (11,595,724)                        | (47,056,077)              |
| Proceeds from buy back of canola interests                                          | 8         | 2,298,918                     | 1,144,850                           | 2,355,090                 |
| Proceeds from contracts in the process of restructuring and or security realization | 8         | 551,106                       | 3,692,239                           | -                         |
| Acquisition of assets held for sale                                                 |           | (119,100)                     | -                                   | -                         |
| Proceeds from sale of assets held for sale                                          | 9         | 4,869,100                     | -                                   | -                         |
| Issuance of mortgages and loans receivable                                          |           | (735,000)                     | -                                   | -                         |
| Proceeds from repayment of mortgages and loans receivable                           |           | 125,206                       | -                                   | -                         |
| Net proceeds of canola futures and options                                          | 8         | 50,061                        | 227,028                             | 617,130                   |
| Purchase of capital and intangible assets                                           |           | (80,655)                      | (53,008)                            | (73,535)                  |
| <b>Cash applied to investing activities</b>                                         |           | \$ (26,520,523)               | \$ (6,584,615)                      | \$ (44,157,392)           |
| <b>Financing activities</b>                                                         |           |                               |                                     |                           |
| Dividends paid                                                                      | 13        | (2,453,684)                   | -                                   | -                         |
| Net draws on revolving credit facility                                              | 12        | 6,351,478                     | -                                   | -                         |
| Proceeds from shares issued                                                         | 13        | 1,094,000                     | 64,000                              | 140,000                   |
| <b>Cash generated from financing activities</b>                                     |           | \$ 4,991,794                  | \$ 64,000                           | \$ 140,000                |
| Net increase (decrease) in cash                                                     |           | 972,181                       | (8,129,535)                         | (14,826,026)              |
| Cash – beginning of the period                                                      |           | 16,642,665                    | 24,772,200                          | 39,598,226                |
| Cash - end of the period                                                            |           | \$ 17,614,846                 | \$ 16,642,665                       | \$ 24,772,200             |

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

## STATEMENTS OF CHANGES IN EQUITY

|                               | Note | Share Capital |                | Contributed Surplus | Retained (deficit) earnings | Total          |
|-------------------------------|------|---------------|----------------|---------------------|-----------------------------|----------------|
|                               |      | Number        | Amount         | Share Options       |                             |                |
| At March 31, 2015             |      | 81,472,758    | \$ 108,134,007 | \$ 1,411,059        | \$ (4,466,143)              | \$ 105,078,923 |
| Options exercised             | 13   | 140,000       | 160,748        | (20,748)            | -                           | 140,000        |
| Share based payment – options | 13   | -             | -              | 626,518             | -                           | 626,518        |
| Total comprehensive income    |      | -             | -              | -                   | 10,176,413                  | 10,176,413     |
| At March 31, 2016             |      | 81,612,758    | \$ 108,294,755 | \$ 2,016,829        | \$ 5,710,270                | \$ 116,021,854 |
| Options exercised             | 13   | 50,000        | 90,180         | (26,180)            | -                           | 64,000         |
| Share based payment – options | 13   | -             | -              | 387,857             | -                           | 387,857        |
| Total comprehensive loss      |      | -             | -              | -                   | (860,874)                   | (860,874)      |
| At September 30, 2016         |      | 81,662,758    | \$ 108,384,935 | \$ 2,378,506        | \$ 4,849,396                | \$ 115,612,837 |
| Options exercised             | 13   | 1,010,000     | 1,356,302      | (262,302)           | -                           | 1,094,000      |
| Share based payment – options | 13   | -             | -              | 822,729             | -                           | 822,729        |
| Dividends                     | 13   | -             | -              | -                   | (3,280,411)                 | (3,280,411)    |
| Total comprehensive loss      |      | -             | -              | -                   | (9,130,647)                 | (9,130,647)    |
| At September 30, 2017         |      | 82,672,758    | \$ 109,741,237 | \$ 2,938,933        | \$ (7,561,662)              | \$ 105,118,508 |

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

# NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017

## 1. Nature of operations

Input Capital Corp. (the "Company" or "Input") is a Canadian Grain Commission licensed and bonded grain company that acquires canola purchase agreements ("Canola Streams") from farmers. In return for making a deposit to acquire a Canola Stream, the Company receives the right to receive, or purchase, a specified number of tonnes of canola in each year of the agreement.

The predecessor of Input was incorporated under The Business Corporations Act (Saskatchewan) (the "Act") on October 25, 2011. The existing Company was formed by an amalgamation under the Act on August 8, 2013. The Company's shares are publicly traded on the TSX Venture Exchange, under the symbol "INP".

The head office of the Company is located at 300 – 1914 Hamilton Street, Regina, Saskatchewan, S4P 3N6. The Company's registered and records office is located at 800 – 1801 Hamilton Street, Regina, Saskatchewan, S4P 4B4.

The agriculture industry is subject to a high degree of seasonality. The Company's revenue is received from canola deliveries and sales over several months after the harvest has been completed. The Company normally expects to recognize the majority of its annual revenues during its first and second fiscal quarters, while capital deployment will be spread throughout the year, with concentration in the October to June period.

These financial statements were authorized for issue by the Board of Directors on December 5, 2017.

## 2. Change in fiscal year end

On July 11, 2016, the Company announced that it would change its financial year end from March 31 to September 30 to better align its financial reporting periods with its business cycle.

The September 30 year end lines up with Input's capital deployment season, which begins October 1, and aligns with the crop sales cycle, which normally begins in October as well. By making this change, capital deployment in one fiscal year will lead to crop sales in the following fiscal year, without the uncertainties of potentially material amounts of capital deployment and crop sales falling unexpectedly into different fiscal periods, making year-over-year comparisons more useful.

The six month period of April 1, 2016 to September 30, 2016 was a transition year. The twelve month 2017 fiscal year began on October 1, 2016 and ended on September 30, 2017.

## 3. New standards and interpretations

The International Accounting Standards Board ("IASB") issued a number of new and revised accounting standards which are effective for future periods.

Standards required to be applied for annual periods beginning on or after January 1, 2018:

- *International Financial Reporting Standard ("IFRS") 15 – Revenue from Contracts with Customers* - specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.
- *IFRS 9 – Financial Instruments* - a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement.

Standards required to be applied for annual periods beginning on or after January 1, 2019:

- *IFRS 16 – Leases* - specifies how an IFRS reporter will recognize, measure, present and disclose leases.

The Company is reviewing these standards to determine the potential impact, if any, on its financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017

## 4. Basis of presentation

### A. STATEMENT OF COMPLIANCE

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### B. BASIS OF PREPARATION

These financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- Financial instruments that are accounted for according to the financial instrument categories defined in Note 5B.
- Share purchase options and deferred share units that are accounted for according to the share-based payments criteria defined in Note 5N.

### C. FUNCTIONAL AND PRESENTATIONAL CURRENCY

The financial statements are presented in Canadian dollars, the functional currency of the Company, and all values are rounded to the nearest dollar with the exception of share and per share value.

### D. USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Significant areas requiring the use of management estimates are further described in the following summary of significant accounting policies and notes:

- Fair value of financial instruments (Note 5B).
- Fair value of assets held for sale (Note 5F).
- Fair value of mortgages and loans receivable (Note 5G and Note 10)
- Fair value of assets held under an agreement for sale (Note 5H and Note 11)
- Fair value of canola interests (Note 5I and Note 8)

Areas of judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements include:

- Fair value of financial instruments (Notes 5D and Note 6);
- Fair value of assets held for sale (Note 5F and Note 9).
- Deferred income tax assets and recovery of deferred income tax assets (Note 5K and Note 18); and
- The acquisitions of canola interests are considered an investing activity.

In preparing these financial statements, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

## 5. Summary of significant accounting policies

### A. CAPITAL AND INTANGIBLE ASSETS

Items of capital and intangible assets are recorded at cost, less accumulated amortization and accumulated net impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

# NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017

Amortization is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of each part of an item of capital and intangible assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

|              |               |         |
|--------------|---------------|---------|
| - Trademarks | Straight line | 5 years |
| - Software   | Straight line | 5 years |
| - Vehicle    | Straight line | 8 years |

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

## B. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss ("FVTPL"); loans and receivables; and other liabilities. All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Transaction costs are included in the initial carrying amount of the financial instruments unless the financial instruments are classified as fair value through profit or loss. Transaction costs attributable to the acquisition of financial instruments classified as fair value through profit or loss are recognized immediately in net income. Measurement in subsequent periods depends on the classification of the financial instrument.

Cash, trade and other receivables, mortgages and loans receivable and canola interests relating to contracts that are in the process of restructuring and or security realization are classified as loans and receivables and are measured at amortized cost. Trade and other payables are classified as other liabilities and these are measured at amortized cost using the effective interest method.

Derivative financial instruments, including canola interests, are recognized as a financial asset on the trade date. All derivative financial instruments are classified as FVTPL and recorded at fair value on the statements of financial position. Subsequent changes in fair value of these derivative financial instruments are recognized in the statement of comprehensive income (loss) in market value adjustments. Realized gains and losses that result from the sale of tonnes of canola are recognized in profit or loss in realization of canola interests.

Financial assets are derecognized when the contractual rights to the cash flows from the asset are settled or they expire. Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled or they expire. All gains and losses as a result of changes in fair value for FVTPL financial instruments are included in income (loss) and comprehensive income (loss) in the period they occur.

## C. IMPAIRMENT OF FINANCIAL INSTRUMENTS

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Company invested has had a negative effect on the estimated future cash flows of that asset. An impairment loss for a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the effective interest rates. Impairment losses are recognized in profit or loss. For financial assets measured at amortized cost, any reversal of impairment is recognized in profit or loss.

## D. FAIR VALUE

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value hierarchy establishes three levels to classify the inputs of valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017

- Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The fair values for cash were based on carrying value as an approximation of market value due to the short time frame to maturity.
- Level 2 – Fair values are determined using inputs, other than quoted prices in level 1, that are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities.
- Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. Canola interest values are calculated using internal discounted cash flow models that rely on forward canola and other correlated commodity pricing provided by independent sources and long term basis assumptions.

### E. OTHER FINANCIAL ASSETS

Other financial assets includes canola and other crop delivery and basis price contracts with grain companies, farmers and canola crushing facilities. These contracts are generally settled by delivery of tonnes or in cash. At each reporting date the fair value of each contract is calculated using current and future canola pricing provided by independent sources. Subsequent changes in fair value of these derivative financial instruments are recognized in profit or loss in unrealized market value adjustments.

Part of the Company's in-year canola marketing program involves the purchase of canola futures and options contracts to maintain an open pricing position. These contracts are settled in cash and at each reporting date the fair value of open contracts is calculated using current canola pricing provided by independent sources. Subsequent changes in fair value of these derivative financial instruments are recognized in profit or loss in unrealized market value adjustments. Realized gains and losses relating to these contracts is recorded in other (income) loss in the statement of comprehensive income (loss).

### F. ASSETS HELD FOR SALE

Assets held for sale consists of land and other assets registered in Input's name resulting from Input enforcing security under contracts being terminated or as a result of contract buy backs. These assets are recorded at fair value based on quoted market prices for similar assets with an offsetting reduction in Canola interests. These assets are expected to be sold in the near term. Subsequent changes in the fair value, if any, are recorded in other (income) loss in the statement of comprehensive income (loss).

### G. MORTGAGES AND LOANS RECEIVABLE

Mortgages and loans receivable generally result from contract buy backs and restructures. These assets are initially recorded at fair value with an offsetting reduction in canola interests. Subsequently these assets are carried at amortized cost. Interest income is recorded on an accrual basis provided that the mortgage or loan is not impaired.

The Company assesses mortgages and loans receivable for objective evidence of impairment both individually and collectively at each reporting period. A mortgage or loan is considered impaired when there is objective evidence at the end of the reporting period that there has been a deterioration of credit quality to the extent that the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. The Company will consider, but is not limited to considering, the following as part of the creditworthiness and status of a borrower: payment history, value of underlying property securing the mortgage or loan, overall economic conditions, and other conditions specific to the property.

An impairment loss is calculated as the difference between the carrying amount of the mortgage or loan receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recorded in the statement of comprehensive income (loss) and are reflected in the provision for mortgage or loan losses.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017

### H. ASSETS HELD UNDER AN AGREEMENT FOR SALE

Assets held under an agreement for sale result from an agreement to sell assets that were previously recorded as assets held for sale. The sale agreement will close upon the final payment of the purchase price being received at a future date. The agreement for sale contains annual rental payments over the term of the agreement. Income is recognized on a straight-line basis over the term of the agreement.

The Company assesses assets held under an agreement for sale for objective evidence of impairment at each reporting period. Assets held under an agreement for sale are considered impaired when there is objective evidence at the end of the reporting period that there has been a deterioration in the value of underlying property securing the asset held under an agreement for sale.

An impairment loss is calculated as the difference between the carrying amount of the assets held under an agreement for sale and the value of underlying property securing the asset held under an agreement for sale. Losses are recorded in the statement of comprehensive income (loss) and are reflected in the provision for assets held under an agreement for sale losses.

### I. CANOLA INTERESTS

Canola interests are agreements for which settlements are called for in tonnes of canola, the amount of which is determined based on terms in the canola purchase agreements which are capitalized on a contract by contract basis and are recorded at fair value. As the contracts contain an embedded derivative relating to the market value of canola, at each reporting date the fair value of each contract is calculated using internal discounted cash flow models that rely on forward canola and other correlated commodity pricing provided by independent sources. The fair value of each canola streaming contract is calculated using internal discounted cash flow models that rely on forward canola and other correlated commodity pricing provided by independent sources. Other variables that impact the fair value of canola interests include the timing of the delivery of the tonnes, changes in expected costs of realizing on the contract, and changes in the risk free interest rate. Subsequent changes in fair value of these derivative financial instruments are recognized in profit or loss in unrealized market value gain or loss. Realized gains and losses that result from the sale of tonnes of canola are recognized in profit or loss in realization of canola interests.

Included in canola interests are contracts that are in the process of restructuring and or security realization. These contracts are fair valued at the time of initiating restructuring or realization and subsequently recorded at cost less any write downs for impairment. Legal and other expenses relating to enforcement of security are expensed as incurred. Contracts in the process of security realization are fair valued at each reporting date based on the expected amount of capital to be recovered net of legal and other costs to determine if impairment exists.

### J. REALIZATION OF CANOLA INTERESTS

The initial upfront payment allocated to canola interests is capitalized. Upfront payments are refundable deposits allocated to canola interests and are recorded as realization of canola interests on a proportionate contractual unit basis as sales are recorded for each specific contract. Crop payments are recorded as realization of canola interests on a unit basis as sales are recorded for each specific contract. Realized market value gains and losses that result from the sale of tonnes of canola are recognized in profit or loss in realization of canola interests. Realized market value gains and losses that result from contract buy backs are recognized in profit or loss in realization of canola interests.

### K. INCOME TAXES

Taxation on earnings comprises current and deferred income tax. Taxation is recognized in the statement of comprehensive income (loss) except to the extent that it relates to items recognized in equity, in which case the tax is recognized directly in equity.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

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A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred 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.

### L. REVENUE RECOGNITION

Sales of canola from streaming contracts are recognized when persuasive evidence of an arrangement exists, title and risk passes to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale will flow to the Company and the costs incurred in respect of the transaction can be measured reliably.

Sales from canola trading are recognized when persuasive evidence of an arrangement exists, title and risk passes to the buyer from the seller, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale will flow to the Company and the costs of purchasing the canola from the seller can be measured reliably.

Interest revenue on mortgages and loans receivable is recorded on an accrual basis provided that the mortgage or loan is not impaired.

Rental revenue on assets held under an agreement for sale is recognized on a straight-line basis over the term of the agreement.

### M. NET GAIN ON SETTLEMENTS OF CANOLA INTERESTS

In addition to regular canola deliveries, canola tonnage obligations outstanding on canola streaming contracts may also be settled by the farm operator directly through payment in cash, through cash proceeds received from crop insurance, through a conventional mortgage receivable with the Company, through a receivable agreement with the Company, or through a land transfer to the Company. These transactions do not result in the title and risk of the canola passing to a purchaser from Input and are considered to be the settlement of a financial asset with the farm operator. As a result, these transactions are not recorded as canola streaming revenue. When cash proceeds are not received as the means of settlement, the transaction is valued at fair value. These transactions are recorded as a net gain on settlements of canola interests on the statement of comprehensive income (loss).

### N. SHARE BASED PAYMENTS

The Company recognizes share based compensation expense for all share purchase options awarded to employees, officers and directors based on the fair values of the share purchase options at the date of grant. The fair value of share purchase options at the date of grant is expensed over the vesting period of the options with a corresponding increase to equity in contributed surplus. The fair value of share purchase options is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revisions to this estimate in the statement of comprehensive income (loss).

The Black-Scholes model requires management to estimate the expected volatility and term of the equity instrument, the risk-free rate of return over the term, expected dividends, and the number of equity instruments expected to ultimately vest. Volatility is estimated using the historical stock price of the Company, the expected term is estimated using historical exercise data, and the expected number of equity instruments expected to vest is estimated using historical forfeiture data. If and when share-based awards are ultimately exercised, the applicable amounts in Contributed Surplus are transferred to Share Capital.

The Company has a Deferred Share Unit Plan (the "DSU Plan") whereby the Company grants deferred share units ("DSUs") to eligible directors. The DSUs are cash-settled payment transactions and are valued at the fair value of the rights based on the closing share price at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

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## 6. Financial instruments

**CAPITAL RISK MANAGEMENT** - The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the capital structure. The Company's capital consists of \$105,118,508 (\$115,612,837 - September 30, 2016 and \$116,021,854 - March 31, 2016) of equity attributable to common shareholders, comprised of issued capital (Note 12), contributed surplus (Note 12), and accumulated surplus.

**CREDIT RISK MANAGEMENT** - The Company's credit risk includes cash, trade and other receivables in the ordinary course of business, mortgages and loans receivable and amounts included in canola interests in the process of restructuring and or security realization.

The carrying amount of these assets represents the maximum credit exposure. The maximum exposure to credit risk was:

|                                                                              | September 30,<br>2017 | September 30,<br>2016 | March 31, 2016 |
|------------------------------------------------------------------------------|-----------------------|-----------------------|----------------|
| Cash and cash equivalents                                                    | \$ 17,614,846         | \$ 16,642,665         | \$ 24,772,200  |
| Trade and other receivables                                                  | 8,412,960             | 4,257,605             | 442,326        |
| Canola interests in the process of restructuring and or security realization | 10,132,293            | 6,643,710             | 16,080,892     |
| Mortgages and loans receivable                                               | 12,328,710            | -                     | -              |
|                                                                              | \$ 48,488,809         | \$ 27,543,980         | \$ 41,295,418  |

The aging of trade and other receivables and allowance for doubtful accounts are as follows:

|                                                    | September 30,<br>2017 | September 30,<br>2016 | March 31, 2016 |
|----------------------------------------------------|-----------------------|-----------------------|----------------|
| Not past due                                       | \$ 8,412,960          | \$ 4,257,605          | \$ 442,326     |
| Past due 0-90 days                                 | -                     | -                     | -              |
| More than 90 days past due                         | -                     | -                     | -              |
|                                                    | 8,412,960             | 4,257,605             | 442,326        |
| Allowance for doubtful accounts                    | -                     | -                     | -              |
| Total trade and other receivables net of allowance | \$ 8,412,960          | \$ 4,257,605          | \$ 442,326     |

**COMMODITY PRICE RISK** - The Company's financial results may be significantly affected by fluctuations in the price of canola. The price of canola is affected by numerous factors beyond the Company's control, including but not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of foreign currencies, global and regional supply and demand, and the political and economic conditions of major countries throughout the world.

Based on the Company's canola interests as at September 30, 2017, a 1% increase, or decrease, in the price of canola would result in a \$684,342 (September 30, 2016 - \$1,024,007 and March 31, 2016 - \$1,097,380) increase, or decrease, in the market value adjustment amount recorded on the statement of comprehensive income (loss).

**OTHER RISKS** - The Company is not subject to other significant interest rate, foreign currency, or other price risks.

# NOTES TO THE FINANCIAL STATEMENTS

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**LIQUIDITY RISK** - The Company's business will depend on the creditworthiness of the farm operators and their ability to fulfill their obligations to the Company. While the Company takes security in the form of a general security agreement and in most cases, mortgages on the farm operator's farmland, there is no assurance that such security will be enforceable, properly perfected or will have priority as against other creditors. The value of the collateral securing the Streaming Contracts may not protect the Company from suffering a partial or complete loss if the farm operator fails to meet its commitments.

**FAIR VALUE** - The following sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

|                                | Classification                    | Level | September 30, 2017 | September 30, 2016 | March 31, 2016 |
|--------------------------------|-----------------------------------|-------|--------------------|--------------------|----------------|
| Other financial assets         | Fair value through profit or loss | 2     | \$ 2,066,382       | \$ 3,852,643       | \$ 78,987      |
| Canola interests               | Fair value through profit or loss | 3     | 66,356,375         | 73,904,023         | 91,010,270     |
| Mortgages and loans receivable | Loans and receivables             | 2     | 12,328,710         | -                  | -              |

The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash, trade and other receivables, and trade and other payables.

Canola interests in the process of restructuring and or security realization are fair valued at the time at which the contract is determined to need restructuring and subsequently, if necessary, written down for any impairment.

Canola purchase agreements contain obligations in that the Company agrees to purchase canola at a specified price at a future date. A summary of the payments due by period is summarized below:

|                      | Payment due by period |               |               |              |               |
|----------------------|-----------------------|---------------|---------------|--------------|---------------|
|                      | < 1 year              | 1 - 3 years   | 4 - 5 years   | > 5 years    | Total         |
| Purchase obligations | \$ 6,738,955          | \$ 13,160,528 | \$ 11,328,462 | \$ 3,873,050 | \$ 35,100,995 |

Financial liabilities and other contractual obligations at September 30, 2017, and their maturities are summarized

|                          | Payment due by period |             |             |           |              |
|--------------------------|-----------------------|-------------|-------------|-----------|--------------|
|                          | < 1 year              | 1 - 3 years | 4 - 5 years | > 5 years | Total        |
| Trade and other payables | \$ 8,676,274          | \$ -        | \$ -        | \$ -      | \$ 8,676,274 |

**LOANS AND BORROWINGS** - The Company has a \$25 million revolving credit facility with HSBC Canada. As of September 30, 2017 there was \$6,351,478 drawn on the facility (September 30, 2016 and March 31, 2016 - nil). The covenants of the new facility include a maximum total liabilities to tangible net worth ratio of 0.5 to 1 and a minimum current ratio of 2 to 1. At September 30, 2017, the Company met all of its covenants as required by the facility.

The liability and obligations of the Company are secured by all property of the Company including an assignment of the rights of the Company under the canola streaming contracts and any collateral security granted in favour of the Company in connection with each contract.

## 7. Cash

The Company has a letter of guarantee for \$1,000,000 as required by the Canadian Grain Commission. This is security that is pledged against potential outstanding amounts owed to producers.

# NOTES TO THE FINANCIAL STATEMENTS

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## 8. Canola interests and other financial assets

|                                                                                                                                  | September 30,<br>2017 | September 30,<br>2016 | March 31, 2016 |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|----------------|
| Canola interests:                                                                                                                |                       |                       |                |
| Opening balance - date                                                                                                           | October 1,<br>2016    | April 1, 2016         | April 1, 2015  |
| Opening balance                                                                                                                  | \$ 73,904,023         | \$ 91,010,270         | \$ 70,129,659  |
| Acquisition of canola interests - upfront payments                                                                               | 32,506,623            | 7,908,433             | 35,430,713     |
| Acquisition of canola interests - crop payments                                                                                  | 8,558,858             | 2,001,555             | 3,338,342      |
| Realization of canola interests - upfront payments                                                                               | (18,792,646)          | (4,752,564)           | (16,250,410)   |
| Realization of canola interests - crop payments                                                                                  | (8,713,344)           | (863,595)             | (3,468,346)    |
| Realization of canola interests - realized market value adjustment                                                               | (1,509,148)           | (923,159)             | (268,189)      |
| Recoveries on contracts that are in the process of restructuring and or security realization                                     | (551,106)             | (9,889,415)           | (4,409,191)    |
| Acquisition of security                                                                                                          | -                     | 921,450               | 1,077,797      |
| Buy back of canola contracts                                                                                                     | (7,920,062)           | (9,949,420)           | (2,510,000)    |
| Unrealized market value adjustment                                                                                               | (11,126,823)          | (1,559,532)           | 7,939,895      |
|                                                                                                                                  | \$ 66,356,375         | \$ 73,904,023         | \$ 91,010,270  |
| Canola interests (including amounts relating to contracts that are in the process of restructuring and or security realization): |                       |                       |                |
| Current portion of canola interests                                                                                              | \$ 14,964,597         | \$ 28,878,396         | \$ 34,858,577  |
| Non-current canola interests                                                                                                     | 51,391,778            | 45,025,627            | 56,151,693     |
|                                                                                                                                  | \$ 66,356,375         | \$ 73,904,023         | \$ 91,010,270  |

Included in Trade and other receivables at September 30, 2017 is \$3,914,899 relating to canola deliveries made for which the payment has not yet been received as at September 30, 2017 (September 30, 2016 - \$3,748,837 and March 31, 2016 - \$171,801). There are \$919,655 in short-term advances to farmers included in trade and other receivables at September 30, 2017 (September 30, 2016 - \$365,472 and March 31, 2016 - \$nil). These advances are interest bearing and approximate fair value given their short-term nature.

Included in Trade and other payables at September 30, 2017 is \$nil relating to the acquisition of canola interests - upfront payment commitments for which the disbursement has not yet been made as at September 30, 2017 (September 30, 2016 - \$nil and March 31, 2016 - \$1,580,736).

The fair value of each canola streaming contract is calculated using internal discounted cash flow models that rely on forward canola and other correlated commodity pricing provided by independent sources. Other variables that impact the fair value of canola interests include the timing of the delivery of the tonnes, changes in expected costs and cash flows associated with the contract, and changes in the risk free interest rate. Included in the market value adjustment as a reduction to the value of canola interests is an unrealized market value loss of \$9,315,446 (September 30, 2016 - loss of \$999,804 and March 31, 2016 - loss of \$1,086,815) relating to changes in the timing and expected net cash flows associated with the settlement of canola delivery obligations.

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As at September 30, 2017 there are streaming contracts that are in the process of restructuring and or security realization. The value of these contracts included in canola interests at September 30, 2017 is \$10,132,293 (September 30, 2016 - \$6,643,710) which is recorded as a non-current asset. Contracts that are in the process of restructuring or security realization are fair valued at the time at which the contract is determined to need restructuring and subsequently, if necessary, written down for any impairment. Included in Professional fees – legal, accounting, tax and collection expenses under corporate administration expense for the year ended September 30, 2017 is \$651,782 (six months ended September 30, 2016 - \$1,705,586 and year ended March 31, 2016 - \$245,847) relating to the collection of these accounts.

A producer or the Company may negotiate a buy back of a streaming contract. The Company may accept consideration in the form of cash, conventional mortgages or loans receivable, or assets which will be held for sale. This consideration is used to bring the contract current and then buy back future obligations under the contract. During the year ended September 30, 2017, the Company received \$2,298,918 in cash proceeds (six months ended September 30, 2016 - \$1,144,850 and year ended March 31, 2016 - \$2,355,090), \$6,088,799 in mortgages receivable (six months ended September 30, 2016 - \$nil and year ended March 31, 2016 - \$nil) and \$nil in assets held for sale (six months ended September 30, 2016 - \$8,994,188 and year ended March 31, 2016 - \$nil) relating to the settlement of future obligations under streaming contracts. The buy back of canola interests resulted in a gain of \$927,726 being recognized in other income. Included in the realization of canola interest - realized market value adjustment is a loss of \$1,689,505 relating to these buy backs.

Changes in the fair value of other financial assets are recognized in profit or loss in market value adjustment and as follows:

|                                            | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|--------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Market value adjustment - expense (income) | \$ 1,800,863                        | \$ (3,815,656)                               | \$ 124,199                   |

Part of the Company's in-year canola marketing program involves the purchase of canola futures and options contracts to maintain an open pricing position. Included in other (gain) loss is a gain of \$64,661 for the year ended September 30, 2017 (six months ended September 30, 2016 - gain of \$185,028 and year ended March 31, 2016 - gain of \$585,515) relating to realized gains and losses on these contracts.

## 9. Assets held for sale

Assets held for sale result from Input taking ownership of assets as a result of enforcing security on contracts or as a result of contract buy backs. These assets are expected to be sold in the near term. Included in assets held for sale is:

|                                          | September 30,<br>2017 | September 30,<br>2016 | March 31, 2016 |
|------------------------------------------|-----------------------|-----------------------|----------------|
| Land                                     | \$ 827,653            | \$ 17,929,218         | \$ 3,659,305   |
| Buildings, storage bins and other assets | -                     | 751,850               | 751,850        |
|                                          | \$ 827,653            | \$ 18,681,068         | \$ 4,411,155   |

During the year ended September 30, 2017, the Company entered into an agreement to sell assets held for sale in exchange for a mortgage whose combined value was equal to the value when recorded as assets held for sale (see note 10).

On April 1, 2017, the Company closed an agreement for the sale of assets in exchange for cash and a capital streaming contract whose combined value was equal to the value when recorded as assets held for sale.

# NOTES TO THE FINANCIAL STATEMENTS

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## 10. Mortgages and loans receivable

Mortgages and loans receivable consist of commercial first mortgages and loans secured by land and equipment. A continuity schedule of the mortgages and loans receivable is presented below:

|                                            | Principal outstanding |
|--------------------------------------------|-----------------------|
| At March 31, 2016 and September 30, 2016   | \$ -                  |
| Issuance of mortgages and loans receivable | 12,328,710            |
| At September 30, 2017                      | \$ 12,328,710         |

The weighted average interest rate is 5.89% and the weighted average term is 4.59 years. Of the balance outstanding, \$11,593,710 is interest only mortgages and loans receivable with the principal due at the end of the term. The fair value of the mortgages and loans receivable at September 30, 2017 is \$12,328,710.

|                                                   | September 30,<br>2017 | September 30,<br>2016 | March 31, 2016 |
|---------------------------------------------------|-----------------------|-----------------------|----------------|
| Mortgages and loans receivable                    |                       |                       |                |
| Current portion of mortgages and loans receivable | \$ 73,500             | \$ -                  | \$ -           |
| Non-current mortgages and loans receivable        | 12,255,210            | -                     | -              |
|                                                   | \$ 12,328,710         | \$ -                  | \$ -           |

## 11. Assets held under an agreement for sale

Assets held under an agreement for sale consist of land, buildings, bins, and gravel. A continuity schedule of the assets held under an agreement for sale is presented below:

|                                                      | Principal outstanding |
|------------------------------------------------------|-----------------------|
| At March 31, 2016 and September 30, 2016             | \$ -                  |
| Additions of assets held under an agreement for sale | 9,650,000             |
| At September 30, 2017                                | \$ 9,650,000          |

Under the agreement for sale, the purchaser is responsible for the control and management of the land and other assets. The land and other assets will be transferred to the purchaser upon payment in full of the purchase price of \$9,650,000, which is due on or before September 30, 2022. Included in other income is \$117,878 in rental revenue realized against the assets held under the agreement for sale. Future rent payments on the assets held under the agreement for sale, which contain a variable component, are estimated as follows:

|                 | Year ended September 30 |            |            |            |            |
|-----------------|-------------------------|------------|------------|------------|------------|
|                 | 2018                    | 2019       | 2020       | 2021       | 2022       |
| Rental payments | \$ 279,160              | \$ 312,388 | \$ 312,388 | \$ 368,964 | \$ 368,964 |

## 12. Revolving credit facility

The Company has a \$25 million revolving credit facility with HSBC Canada. Advances on the revolving credit facility are available to fund 25% to 50% of the upfront payments made. The principal amount of each advance is due to be repaid within one year from the date the advance was made. Interest, which is equal to prime plus 1% is payable on the first of each month. A continuity schedule of the Company's revolving debt is presented below:

# NOTES TO THE FINANCIAL STATEMENTS

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|                                          |              |
|------------------------------------------|--------------|
| At March 31, 2016 and September 30, 2016 | \$ -         |
| Advances                                 | 6,740,931    |
| Repayments                               | (389,453)    |
| At September 30, 2017                    | \$ 6,351,478 |

## 13. Share capital, contributed surplus and retained (deficit) earnings

### A. SHARES AUTHORIZED

The Company's authorized share capital consists of an unlimited number of Class "A" common voting shares ("common shares") without par value.

### B. SHARES ISSUED

|                        | September 30,<br>2017 | September 30,<br>2016 | March 31, 2016 |
|------------------------|-----------------------|-----------------------|----------------|
| Common shares - number | 82,672,758            | 81,662,758            | 81,612,758     |
| Common shares - \$     | \$ 109,741,237        | \$108,384,935         | \$ 108,294,755 |

### C. SHARE PURCHASE OPTIONS

The Company has an incentive share purchase option plan (the "Option Plan") whereby the Company may grant share options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vesting conditions to be determined by the Board of Directors. Each share option converts into one common share of the Company on exercise.

The following option plans were in existence during the current and prior years:

| Option series                     | Number    | Expiry date          | Exercise price | Fair value at<br>date of grant |
|-----------------------------------|-----------|----------------------|----------------|--------------------------------|
| (1) granted on November 30, 2012  | 3,129,602 | November 30,<br>2017 | \$ 1.00        | \$ 1.00                        |
| (2) granted on July 18, 2013      | 350,000   | November 30,<br>2017 | \$ 1.28        | \$ 1.60                        |
| (3) granted on December 1, 2013   | 2,386,622 | December 1,<br>2018  | \$ 1.73        | \$ 1.73                        |
| (4) granted on May 27, 2014       | 36,600    | May 27, 2019         | \$ 2.20        | \$ 2.20                        |
| (5) granted on November 28, 2014  | 37,218    | November 28,<br>2019 | \$ 2.01        | \$ 2.01                        |
| (6) granted on February 6, 2015   | 10,000    | February 6,<br>2020  | \$ 2.80        | \$ 2.80                        |
| (7) granted on June 10, 2015      | 732,100   | June 10, 2020        | \$ 3.05        | \$ 3.05                        |
| (8) granted on November 16, 2015  | 30,900    | November 16,<br>2020 | \$ 1.88        | \$ 1.88                        |
| (9) granted on June 8, 2016       | 912,700   | June 8, 2021         | \$ 2.18        | \$ 2.18                        |
| (10) granted on December 15, 2016 | 642,900   | December 15,<br>2021 | \$ 2.00        | \$ 2.00                        |

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The fair value of the stock options is estimated at the grant date based on the Black-Scholes pricing model using the assumptions below. The assumptions below are for options issued since April 1, 2015 and are based on management's best estimates at the time of issuance.

| Inputs into the model                  | Option Series |            |            |            |
|----------------------------------------|---------------|------------|------------|------------|
|                                        | Series 7      | Series 8   | Series 9   | Series 10  |
| Grant date share price                 | \$ 3.05       | \$ 1.88    | \$ 2.18    | \$ 2.00    |
| Exercise price                         | \$ 3.05       | \$ 1.88    | \$ 2.18    | \$ 2.00    |
| Average vesting period from grant date | 3.00 years    | 2.00 years | 2.99 years | 3.00 years |
| Volatility                             | 38.29%        | 49.07%     | 48.38%     | 47.48%     |
| Expected life                          | 5.00 years    | 5.00 years | 5.00 years | 5.00 years |
| Dividend yield                         | 0.00%         | 0.00%      | 0.00%      | 2.00%      |
| Risk free interest rate                | 1.06%         | 0.94%      | 0.63%      | 1.16%      |

At September 30, 2017, the following options to purchase common shares were outstanding:

| Option series    | Average remaining life (in years) | Options outstanding |           |           |                      | Total     |
|------------------|-----------------------------------|---------------------|-----------|-----------|----------------------|-----------|
|                  |                                   | Vested              | Unvested  | Exercised | Expired or cancelled |           |
| Series 1         | 0.17                              | 3,129,602           | -         | 900,000   | -                    | 2,229,602 |
| Series 2         | 0.17                              | 350,000             | -         | 350,000   | -                    | -         |
| Series 3         | 1.17                              | 2,386,622           | -         | -         | -                    | 2,386,622 |
| Series 4         | 1.65                              | 36,600              | -         | -         | -                    | 36,600    |
| Series 5         | 2.16                              | 37,218              | -         | -         | -                    | 37,218    |
| Series 6         | 2.35                              | 8,822               | 1,178     | -         | -                    | 10,000    |
| Series 7         | 2.69                              | 568,378             | 163,722   | -         | 10,800               | 721,300   |
| Series 8         | 3.13                              | 28,911              | 1,989     | -         | -                    | 30,900    |
| Series 9         | 3.69                              | 402,229             | 510,471   | -         | 21,900               | 890,800   |
| Series 10        | 4.21                              | 169,679             | 473,221   | -         | 10,900               | 632,000   |
| Weighted average | 1.62                              | 7,118,061           | 1,150,581 | 1,250,000 | 43,600               | 6,975,042 |

### D. DIVIDENDS

The Company declared and paid the following dividends since April 1, 2016 to shareholders of record on the following dates.

| Record Date        | Dividend per share | Shares outstanding | Total dividend |
|--------------------|--------------------|--------------------|----------------|
| December 31, 2016  | \$ 0.01            | 81,722,758         | \$ 817,228     |
| March 31, 2017     | 0.01               | 81,722,758         | 817,228        |
| June 30, 2017      | 0.01               | 81,922,758         | 819,228        |
| September 30, 2017 | 0.01               | 82,672,758         | 826,727        |

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## 14. Basic and diluted weighted average number of common shares

Diluted weighted average number of common shares is based on the following:

|                                         | September 30,<br>2017 | September 30,<br>2016 | March 31, 2016 |
|-----------------------------------------|-----------------------|-----------------------|----------------|
| Basic weighted average number of shares | 81,793,553            | 81,638,441            | 81,524,780     |
| Dilutive securities:                    |                       |                       |                |
| Share options                           | 7,745,739             | 7,064,879             | 6,455,278      |

When there is a net loss and comprehensive loss the share options are anti-dilutive and therefore the diluted loss per share is the same as the basic loss per share.

## 15. Revenue, purchase of canola and other direct expenses, and realization of canola interests

Revenue, realization of canola interests and other direct expenses for canola streaming revenue is presented below:

|                                         | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|-----------------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Revenue from canola streaming contracts | \$ 22,750,339                       | \$ 7,770,780                                 | \$ 30,076,294                |
| Realization of canola interests         |                                     |                                              |                              |
| Upfront payments                        | 10,390,285                          | 4,752,564                                    | 16,250,410                   |
| Crop payments                           | 7,547,002                           | 863,595                                      | 3,468,346                    |
| Realized market value adjustment        | 29,064                              | (190,838)                                    | 528,677                      |
| Other direct expenses                   | 857,405                             | 292,764                                      | 356,660                      |
| Profit from canola streaming            | \$ 3,926,583                        | \$ 2,052,695                                 | \$ 9,472,201                 |

Revenue and purchase of canola and other direct expenses for canola trading is presented below:

|                                              | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|----------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Revenue from canola trading                  | \$ 6,285,239                        | \$ 271,459                                   | \$ 16,628,167                |
| Purchase of canola and other direct expenses | 6,498,692                           | 258,223                                      | 16,405,529                   |
| Profit (loss) from canola trading            | \$ (213,453)                        | \$ 13,236                                    | \$ 222,638                   |

Realized market value expense as a result of contract buy backs is presented below:

|                                  | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|----------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Realization of canola interests  |                                     |                                              |                              |
| Realized market value adjustment | \$ 1,689,505                        | 1,113,997                                    | (260,488)                    |

# NOTES TO THE FINANCIAL STATEMENTS

'September 30, 2017

## 16. Net gain on settlements of canola interests

The net gain on settlements of canola interests is presented below:

|                                                                             | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|-----------------------------------------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Fair value of gross proceeds received                                       | \$ 13,016,647                       | \$ -                                         | \$ -                         |
| Deductions from proceeds relating to the<br>realization of canola interests |                                     |                                              |                              |
| Upfront payments                                                            | 8,402,361                           | -                                            | -                            |
| Crop payments                                                               | 1,166,342                           | -                                            | -                            |
| Realized market value adjustment                                            | (209,421)                           | -                                            | -                            |
| Other direct expenses                                                       | 3,877                               | -                                            | -                            |
| Net gain on settlements of canola interests                                 | \$ 3,653,488                        | \$ -                                         | \$ -                         |

## 17. Corporate administration

The corporate administration expenses of the Company are as follows:

|                                                              | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|--------------------------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Advertising and client development                           | \$ 640,738                          | \$ 260,986                                   | \$ 681,321                   |
| Board and executive expenses (gain)                          | 264,293                             | 200,190                                      | (138,886)                    |
| Contractors, employee salaries and benefits                  | 3,107,380                           | 1,341,040                                    | 2,287,791                    |
| Investor relations                                           | 223,273                             | 101,946                                      | 140,327                      |
| Licenses, dues and filing fees                               | 219,654                             | 136,323                                      | 198,204                      |
| Office expenses                                              | 462,672                             | 180,574                                      | 192,731                      |
| Professional fees – legal, accounting, tax and<br>collection | 1,192,735                           | 2,051,929                                    | 630,523                      |
| Share option based compensation (Note 12C)                   | 822,729                             | 387,856                                      | 626,518                      |
| Total corporate administration expense                       | \$ 6,933,474                        | \$ 4,660,844                                 | \$ 4,618,529                 |

# NOTES TO THE FINANCIAL STATEMENTS

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## 18. Income taxes

The income tax expense differs from the amounts that would result from applying the federal and provincial income tax rate to the net income (loss) before income taxes. These differences result from the following items:

|                                                        | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|--------------------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Net (loss) income before income tax                    | \$ (12,369,800)                     | \$ (1,035,826)                               | \$ 14,166,648                |
| Canadian federal and provincial tax rates              | 26.5%                               | 27.0%                                        | 27.0%                        |
| Income tax (recovery) expense based on the above rates | (3,277,997)                         | (279,673)                                    | 3,824,995                    |
| Increase (decrease) due to the tax effect of:          |                                     |                                              |                              |
| Non-deductible stock compensation                      | 218,023                             | 104,721                                      | 169,160                      |
| True up from prior year                                | (113,528)                           | -                                            | -                            |
| Other                                                  | (65,651)                            | -                                            | (3,920)                      |
| Income tax (recovery) expense                          | \$ (3,239,153)                      | \$ (174,952)                                 | \$ 3,990,235                 |

The income tax (recovery) expense consists of the following:

|                               | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|-------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Current                       | \$ 682,342                          | \$ (409,450)                                 | \$ 1,491,434                 |
| Deferred                      | (3,921,495)                         | 234,498                                      | 2,498,801                    |
| Income tax (recovery) expense | \$ (3,239,153)                      | \$ (174,952)                                 | \$ 3,990,235                 |

The components of deferred income taxes recognized on the statement of financial position are as follows:

|                                             | September 30,<br>2017 | September 30,<br>2016 | March 31, 2016 |
|---------------------------------------------|-----------------------|-----------------------|----------------|
| Deferred income tax asset (liability)       |                       |                       |                |
| Share issuance costs                        | \$ 358,433            | \$ 776,711            | \$ 985,700     |
| DSU compensation                            | 202,646               | 163,716               | 116,539        |
| Market value adjustment                     | 2,232,381             | (1,650,184)           | (1,333,070)    |
| Other                                       | -                     | -                     | (35,290)       |
| Total deferred income tax asset (liability) | \$ 2,793,460          | \$ (709,757)          | \$ (266,121)   |

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## 19. Supplemental cash flow information

|                                          | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Change in non-cash working capital items |                                     |                                              |                              |
| Trade and other receivables              | \$ (3,645,602)                      | \$ (3,827,963)                               | \$ 2,423,088                 |
| Income tax recoverable                   | 886,877                             | (886,877)                                    | -                            |
| Prepaid expenses                         | (139,276)                           | 3,874                                        | (133,213)                    |
| Trade and other payables                 | 1,493,850                           | 126,337                                      | 532,814                      |
| Income tax payable                       | 826,927                             | (1,073,156)                                  | 1,491,434                    |
| Net increase (decrease) in cash          | \$ (577,224)                        | \$ (5,657,785)                               | \$ 4,314,123                 |

## 20. Key management personnel compensation

Members of the key management team include the President and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer, and the Vice-President of Market Development.

|                                             | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|---------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Contractors, employee salaries and benefits | \$ 975,251                          | \$ 467,445                                   | \$ 927,071                   |
| Share based payments                        | 673,892                             | 316,762                                      | 532,433                      |
| Total key management compensation expense   | \$ 1,649,143                        | \$ 784,207                                   | \$ 1,459,504                 |

## 21. Board compensation

The Company has a Deferred Share Unit Plan (the "DSU Plan") whereby the Company grants deferred share units ("DSUs") to eligible directors. Each eligible director is given the opportunity to elect, in lieu of cash, to receive all, or a portion of, their annual board retainer or board meeting fees in the form of DSUs. The DSUs are cash-settled payment transactions and are valued at the fair value of the rights based on the closing stock price at the end of the reporting period. At September 30, 2017 there were 472,038 DSUs granted, vested and outstanding (September 30, 2016 - 329,540 and March 31, 2016 - 268,090). Included in Trade and other payables at September 30, 2017 is \$764,702 (September 30, 2016 - \$606,354 and March 31, 2016 - \$431,625) relating to the valuation of the DSUs. Included in Board and executive expenses (gain) under corporate administration expense for the year ended September 30, 2017 is an expense of \$169,343 (six months ended September 30, 2016 - expense of \$174,729 and year ended March 31, 2016 - gain of \$208,548) relating to the valuation of the DSUs.

## NOTES TO THE FINANCIAL STATEMENTS

'September 30, 2017

### 22. Related party transactions

The Company is related to Emsley & Associates (2002) Inc. and Nomad Capital Corp. as a result of common management. The companies share some common personnel and Input leases furnished office space from Emsley & Associates Inc. (see Note 23). These transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party expenses are summarized in the following table:

|                          | Year ended<br>September 30,<br>2017 | Six months<br>ended<br>September 30,<br>2016 | Year ended<br>March 31, 2016 |
|--------------------------|-------------------------------------|----------------------------------------------|------------------------------|
| Corporate administration | \$ 1,128,705                        | \$ 566,873                                   | \$ 962,126                   |

Included in Corporate administration (Note 17) is \$675,604 for the year ended September 30, 2017 (six months ended September 30, 2016 - \$330,200 and year ended March 31, 2016 - \$661,600), relating to key management compensation and is included in contractors, employee salaries and benefits in Note 19.

Included in Trade and other payables is \$18,152 (September 30, 2016 - \$29,930 and March 31, 2016 - \$16,177) payable to related parties.

### 23. Commitments and Contingencies

Lawsuits and claims that have arisen in the normal course of business are pending for and against the Company and provisions have been recorded where appropriate. It is the opinion of management that the final determination of these claims will not have a material adverse effect on the financial position or the results of the Company.

In August 2016, the Company signed a five-year lease that commenced September 1, 2016, ending February 28, 2021 with Emsley & Associates (2002) Inc. The Company's annual fiscal commitments under the lease is as follows:

|                               |            |
|-------------------------------|------------|
| Commitments and contingencies |            |
| 2018                          | \$ 278,256 |
| 2019                          | 286,369    |
| 2020                          | 300,683    |
| 2021                          | 127,820    |
|                               | \$ 993,128 |