



**INPUT CAPITAL**  
THE AGRICULTURE STREAMING COMPANY

## **Financial Statements**

**for the years ended September 30, 2019 and  
September 30, 2018**



KPMG LLP  
Hill Centre Tower II  
1881 Scarth Street, 20th Floor  
Regina Saskatchewan S4P 4K9  
Canada  
Telephone (306) 791-1200  
Fax (306) 757-4703

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Input Capital Corp.

### ***Opinion***

We have audited the financial statements of Input Capital Corp. (the Entity), which comprise:

- the statement of financial position as at September 30, 2019
- the statement of net loss and comprehensive loss for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at September 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Other Matter – Comparative Information***

The financial statements for the year ended September 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on December 12, 2018.

### ***Other Information***

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**KPMG LLP**

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Scott Douglas Verity.

Saskatoon, Canada

December 3, 2019

## STATEMENTS OF FINANCIAL POSITION

	Note	As at September 30, 2019	As at September 30, 2018
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 11,439,460	\$ 14,876,770
Trade and other receivables		2,555,228	3,374,627
Income tax recoverable	15	1,268,711	-
Crop interests	5	6,883,620	8,241,346
Other financial assets	4	-	3,021,252
Assets held for sale	6	992,771	827,653
Prepaid expenses		307,415	590,402
Mortgages and loans receivable	7	3,151,153	2,218,694
		\$ 26,598,358	\$ 33,150,744
<b>Non-current</b>			
Crop interests	5	\$ 21,511,225	\$ 29,092,845
Deferred income tax assets	15	3,469,469	3,592,335
Capital and intangible assets		46,557	157,283
Mortgages and loans receivable	7	56,091,934	53,071,720
		\$ 107,717,543	\$ 119,064,927
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		\$ 2,075,566	\$ 3,820,191
Other financial liabilities	4	420,891	-
Revolving credit	8	5,404,008	3,686,707
Income tax payable	15	-	219,861
Long-term debt	9	355,174	197,674
		\$ 8,255,639	\$ 7,924,433
<b>Non-current</b>			
Long-term debt	9	\$ 18,861,746	\$ 9,769,602
		\$ 18,861,746	\$ 9,769,602
<b>EQUITY</b>			
Share capital	10	\$ 83,034,919	\$ 110,277,708
Contributed surplus		3,884,368	3,404,119
Deficit		(6,319,129)	(12,310,935)
		\$ 80,600,158	\$ 101,370,892
		\$ 107,717,543	\$ 119,064,927

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 NET LOSS AND COMPREHENSIVE LOSS**

	Note	Year ended September 30, 2019	Year ended September 30, 2018
<b>Revenue</b>			
Crop	12	\$ 39,400,781	\$ 36,763,123
Interest		4,572,128	2,392,247
Rental		44,763	292,894
		\$ 44,017,672	\$ 39,448,264
<b>Expenses</b>			
Corporate administration	14	\$ 5,360,157	\$ 6,639,884
Interest expense	8, 9	1,033,407	228,202
Purchase of crop and other direct expenses	12	13,429,422	9,470,466
Realization of crop interests	12	23,629,161	23,916,864
		\$ 43,452,147	\$ 40,255,416
<b>Other income</b>			
Gain from settlement of crop interests	13	\$ 1,344,685	\$ 725,451
Realized gain (loss) on futures and options	5	(376,247)	768,186
Other income		445,619	370,634
		\$ 1,414,057	\$ 1,864,271
<b>Profit before the undernoted</b>			
		\$ 1,979,582	\$ 1,057,119
Expected credit losses and impairment losses	4	(540,584)	(1,900,087)
Unrealized market value loss	4	(4,323,004)	(978,137)
<b>Net loss before income tax</b>			
		\$ (2,884,006)	\$ (1,821,105)
Income tax recovery	15	(649,014)	(437,883)
<b>Net loss and comprehensive loss</b>			
		\$ (2,234,992)	\$ (1,383,222)
<b>Basic loss per share</b>			
	11	\$ (0.03)	\$ (0.02)
<b>Fully diluted loss per share</b>			
	11	(0.03)	(0.02)

*- 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, 2019	Year ended September 30, 2018
<b>Operating activities</b>			
<b>Net loss for the period</b>		\$ (2,234,992)	\$ (1,383,222)
Adjustments			
Amortization of capital and intangible assets		81,989	45,892
Deferred share unit expense (gain)	18	49,017	(95,194)
Income tax recovery	15	(649,014)	(437,883)
Income tax paid		(714,760)	(549,780)
Interest revenue		(4,572,128)	(2,392,247)
Interest received		2,989,629	1,245,471
Non-cash proceeds from settlement of crop interests		(2,009,371)	(939,762)
Realization of crop interests	5	26,091,188	28,458,321
Share based payments		480,249	795,614
Gain from buy back of crop interests and mortgages		(1,407,172)	(703,550)
Realized loss (gain) on crop futures and options		376,247	(768,186)
Expected credit losses and impairment losses	4	540,584	1,900,087
Unrealized market value loss	4	4,323,004	978,137
Changes in non-cash working capital	16	(623,970)	(881,480)
<b>Cash generated from operating activities</b>		<b>\$ 22,720,500</b>	<b>\$ 25,272,218</b>
<b>Investing activities</b>			
Acquisition of crop interests		(19,218,976)	(19,756,546)
Proceeds from buy back of crop interests		3,603,171	7,054,910
Proceeds from contracts in restructuring and or security realization		1,090,478	876,024
Acquisition of assets held for sale		(853,431)	-
Proceeds from the sale of assets held for sale		688,313	-
Issuance of mortgages and loans receivable		(9,202,903)	(21,192,975)
Proceeds from repayment of mortgages and loans receivable		6,133,307	119,916
Net proceeds (cost) of futures and options		(433,620)	723,068
Proceeds from sale of capital and intangible assets		28,737	-
Purchase of capital and intangible assets		-	(44,661)
<b>Cash applied to investing activities</b>		<b>\$ (18,164,924)</b>	<b>\$ (32,220,264)</b>
<b>Financing activities</b>			
Dividends paid		(3,300,757)	(3,360,269)
Interest expense		1,033,407	228,202
Interest paid		(787,515)	(166,511)
Net draws (repayment) on revolving credit facility	8	1,717,301	(2,664,771)
Net draws on long-term debt	9	9,249,644	9,967,276
Purchase of common shares		(15,904,966)	(2,023,558)
Proceeds from shares issued		-	2,229,601
<b>Cash generated from (applied to) financing activities</b>		<b>\$ (7,992,886)</b>	<b>\$ 4,209,970</b>
Decrease in cash		(3,437,310)	(2,738,076)
Cash – beginning of the period		14,876,770	17,614,846
Cash - end of the period		<b>\$ 11,439,460</b>	<b>\$ 14,876,770</b>

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

## STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital		Contributed Surplus		Deficit	Total
		Number	Amount	Share Options			
At September 30, 2017	10	82,672,758	\$ 109,741,237	\$ 2,938,933	\$ (7,561,662)	\$ 105,118,508	
Options exercised		2,229,602	\$ 2,560,029	\$ (330,428)	\$ -	\$ 2,229,601	
NCIB shares purchased for cancellation		(1,651,400)	(2,023,558)	-	-	(2,023,558)	
Share based payment – options		-	-	795,614	-	795,614	
Dividends		-	-	-	(3,366,051)	(3,366,051)	
Total comprehensive loss		-	-	-	(1,383,222)	(1,383,222)	
At September 30, 2018	10	83,250,960	\$ 110,277,708	\$ 3,404,119	\$ (12,310,935)	\$ 101,370,892	
NCIB shares purchased for cancellation	10	(3,411,120)	\$ (2,712,738)	\$ -	\$ -	\$ (2,712,738)	
SIB shares purchased for cancellation	10	(16,088,083)	(13,192,228)	-	-	(13,192,228)	
Share based payment – options		-	-	480,249	-	480,249	
Reduction in stated capital	10	-	(11,337,823)	-	11,337,823	-	
Impact of adopting new accounting standards	3	-	-	-	(5,260)	(5,260)	
Dividends		-	-	-	(3,105,765)	(3,105,765)	
Total comprehensive loss		-	-	-	(2,234,992)	(2,234,992)	
At September 30, 2019	10	63,751,757	\$ 83,034,919	\$ 3,884,368	\$ (6,319,129)	\$ 80,600,158	

# NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

## 1. *Nature of operations*

Input Capital Corp. (the "Company" or "Input") is a Canadian Grain Commission licensed and bonded grain company that acquires canola from farmers through multi-year canola streaming contracts. In return for providing capital for land financing and/or working capital purposes, the Company receives the right to receive and/or purchase a specified number of tonnes of canola each year over the life of the agreement. 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 crop 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.

These financial statements were authorized for issue by the Board of Directors on December 3, 2019.

## 2. *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 International Accounting Standards Board ("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 4.
- Share purchase options and deferred share units that are accounted for according to the share-based payments criteria defined in Note 3K.

### 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 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 materially 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; and
- Expected credit losses.

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

- Classification and measurement of financial instruments including the business model applied;
- Assessing staging of mortgages for purposes of estimating expected credit losses; and
- Recovery of deferred tax assets.

# NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

## E. MEASUREMENT OF FAIR VALUES

A number of Input's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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:

- 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.
- 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. In determining the inputs for calculating fair values, Input looks for readily observable market inputs, primarily interest rates and forward prices based on the nature of Input's derivative instruments.
- Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. Crop interest values are calculated using internal discounted cash flow models that rely on forward pricing provided by independent sources and long term basis assumptions.

The Company regularly reviews significant inputs and valuation assumptions. If third party information, such as land valuations, is used to measure fair values, then the Company assesses the evidence obtained from third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

## 3. Significant accounting policies

Except for changes described in Note 3A, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### A. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Input has initially applied IFRS 15 and IFRS 9 effective October 1, 2018. A number of other new interpretations and amendments are also effective from October 1, 2018, but they do not have a material impact on Input's financial statements.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive model for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

Input has adopted IFRS 15 retrospectively from the date of adoption using the cumulative effect adjustment method. Accordingly, the information presented for the comparative figures has not been restated from previous IAS 18 figures. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The application of IFRS 15 had no impact on the timing or amount of the Company's revenue recognition and no transition adjustment was recognized on October 1, 2018.

#### IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 introduces a forward looking impairment model. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

##### *i. Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and based on the financial asset's contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Input's accounting policies related to financial liabilities and derivative financial instruments.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of Input's financial assets and financial liabilities as at October 1, 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at October 1, 2018 relates solely to the new impairment requirements.

	Note	Original classification (IAS 39)	New classification (IFRS 9)	Original carrying amount (IAS 39)	New carrying amount (IFRS 9)
<b>Financial assets</b>					
Cash		Loans and receivables	Amortized cost	\$ 14,876,770	\$ 14,876,770
Trade and other receivables	a	Loans and receivables	Amortized cost	3,374,627	3,368,170
Crop interests		FVTPL	FVTPL	37,334,191	37,334,191
Other financial assets (liabilities)		FVTPL	FVTPL	3,021,252	3,021,252
Mortgages and loans receivable	b	Loans and receivables	Amortized cost	55,290,414	55,289,678
<b>Total financial assets</b>				<b>\$ 113,897,254</b>	<b>\$ 113,890,061</b>

	Note	Original classification (IAS 39)	New classification (IFRS 9)	Original carrying amount (IAS 39)	New carrying amount (IFRS 9)
<b>Financial liabilities</b>					
Trade and other payables		Other financial liabilities	Amortized cost	\$ 3,820,191	\$ 3,820,191
Revolving credit		Other financial liabilities	Amortized cost	3,686,707	3,686,707
Long-term debt		Other financial liabilities	Amortized cost	9,967,276	9,967,276
<b>Total financial liabilities</b>				<b>\$ 17,474,174</b>	<b>\$ 17,474,174</b>

a Trade and other receivables that were classified as loans and receivables under IAS 39 are now measured at amortized cost. An increase of \$6,457 in the allowance for impairment over these receivables was recognized in opening retained earnings at October 1, 2018 on transition to IFRS 9.

b Mortgages and loans receivable that were previously classified as loans and receivables are now measured at amortized cost. Input intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An increase of \$736 in the allowance for impairment was recognized in opening retained earnings at October 1, 2018 on transition to IFRS 9.

### ii. Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss model. The new impairment model applies to financial assets measured at amortized cost. Input has determined that the application of IFRS 9's impairment requirements at October 1, 2018 results in an additional allowance for impairment as follows.

<b>Trade and other receivables</b>	
Loss allowance at September 30, 2018 under IAS 39	\$ -
Additional impairment recognized at October 1, 2018	6,457
<b>Loss allowance at October 1, 2018 under IFRS 9</b>	<b>\$ 6,457</b>

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

Mortgages and loans receivable	
Loss allowance at September 30, 2018 under IAS 39	\$ 1,900,087
Additional impairment recognized at October 1, 2018	736
Loss allowance at October 1, 2018 under IFRS 9	\$ 1,900,823

### iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Input has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings, net of tax, as at October 1, 2018. The total impact on retained earnings is \$5,260. Accordingly, the information presented for the year ended September 30, 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The details of new significant accounting policies and effect of changes to previous accounting policies are set out below.

#### Financial assets

Financial assets are initially measured at fair value. On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless Input changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- (i) The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions:

- (i) The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (ii) The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets (liabilities) are subsequently measured at their fair values with changes in fair value, including any interest income, recognized in profit or loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows relating to the financial asset to a third party. Any interests in transferred assets that are created or retained by the Company are recognized as a separate asset or liability.

#### Financial liabilities

IFRS 9 largely retains the existing requirements of IAS 39 for the classification and measurement of financial liabilities. There was no impact on the Input's measurement of financial liabilities of IFRS.

Debt associated with long term agreements is initially recognized at fair value less any directly attributable transaction costs. All other financial liabilities (including liabilities designated at fair value through profit and loss) are recognized initially on the trade date at which Input becomes party to the contractual provisions of the instrument. Input derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, Input has the right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

### *Derivative financial instruments*

Derivatives embedded in contracts where the host is a financial asset are not separated and the hybrid financial instrument as a whole is assessed for classification and measurement. Input has chosen not to use hedge accounting. Derivatives are recognized initially at fair value with attributable transaction costs recognized in net earnings as incurred. Subsequent to initial measurement, derivatives are measured at fair value and the changes in fair value are recognized immediately in net earnings.

Refer to Note 4 for the presentation of financial assets and liabilities by category.

### *Allowance for credit losses on financial assets*

The new expected loss impairment model will result in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event. This differs from the previous approach where the allowance recorded was designed to capture only losses that were incurred whether or not they had been specifically identified.

The most significant impact of the new standard is on Input's net mortgage and loans receivable. Input recognizes an allowance for credit losses that represents management's best estimate of the expected losses in the mortgage and other loans receivable portfolio at the reporting date.

The expected loss impairment model applies a three-stage approach to measure the allowance for credit losses:

- Stage 1 Represents performing financial assets not yet individually identified as credit impaired. On initial recognition, twelve month expected credit losses are recognized in profit or loss and a loss allowance is established.
- Stage 2 Also represents performing financial assets not yet individually identified as credit impaired. If credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, then stage 1 credit losses are recognized.
- Stage 3 Represents impaired financial assets individually identified as credit impaired. When a financial asset is considered credit impaired, full lifetime expected credit losses are recognized and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

At each reporting date, Input assesses whether a significant increase in credit risk has taken place since initial recognition of the mortgage or loan receivable to determine the changes between stages 1 and 2. In assessing whether credit risk has increased significantly, Input considers the following factors:

- whether financial assets are considered to have low credit risk at the reporting date;
- the risk of a default occurring on the financial asset as at the reporting date is compared with the risk of a default occurring on the financial asset as at the date of initial recognition;
- qualitative information available as at the reporting date; and
- days past due.

A stage 3 credit impaired mortgage or loan receivable is any mortgage or loan receivable where, in management's opinion, the credit quality has deteriorated to the extent that Input no longer has reasonable assurance of timely collection of the full amount of principal and interest. When a mortgage or loan receivable is classified as stage 3 credit-impaired, the carrying value is reduced to its estimated realizable value through an adjustment to the allowance for credit losses. Changes in the estimated realizable amount that arise subsequent to the initial impairment are also adjusted through the allowance for credit losses.

The expected loss impairment model reflects the present value of all cash shortfalls related to a default event over the expected life of the financial instrument. The estimation of future cash flows considers the fair value of any underlying security, estimated time and costs to realize the security and other future potential indicators.

All payments received on an impaired mortgage or loan receivable are credited against the recorded investment in the mortgage or loan receivable. The mortgage or loan receivable reverts to performing status when, in management's opinion, the ultimate collection of principal and interest is reasonably assured. When the impaired mortgage or loan receivable is restored to performing status, the remaining individual allowance for credit losses is reversed. Mortgage or loan receivables and their stage 3 allowance for credit losses are written off, either partially or in full, when there is no realistic prospect of future recovery.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

### B. 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.

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

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

### C. CROP INTERESTS

Crop interests are agreements for which settlements are called for in tonnes of crop, the amount of which is determined based on terms in the crop purchase agreements which are capitalized on a contract by contract basis and are recorded at fair value. Under IFRS 9, crop interests do not meet the own-use scope exemption and cash flows are not solely payments of principal and interest. As such, crop interests are carried at FVTPL. At each reporting date the fair value of each contract is calculated using internal discounted cash flow models that rely on forward commodity pricing provided by independent sources. Other variables that impact the fair value of crop interests include the timing of the delivery of the crop, changes in expected costs of realizing on the contract, changes in credit risk, and changes in the risk free interest rate. Subsequent changes in fair value are recognized in profit or loss in unrealized market value gain or loss. Realized gains and losses that result from the sale are recognized in profit or loss in realization of crop interests.

### D. REALIZATION OF CROP INTERESTS

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

### E. OTHER FINANCIAL ASSETS (LIABILITIES)

Other financial assets (liabilities) includes 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 pricing provided by independent sources. Subsequent changes in fair value of these financial instruments are recognized in profit or loss in unrealized market value adjustments.

Part of the Company's crop marketing program involves the purchase of crop 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 crop 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 are recognized in realized gain (loss) on crop futures and options.

### 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 the lower of carrying value and fair value based on quoted market prices for similar assets with an offsetting reduction in crop 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 in the statement of net loss and comprehensive loss.

## **NOTES TO THE FINANCIAL STATEMENTS**

September 30, 2019

### **G. MORTGAGES AND LOANS RECEIVABLE**

Mortgages and loans receivable include mortgages and other loans that contain fixed and determinable payments. Input's business model is to hold the mortgages and loans receivable to collect principal and interest payments. Under IFRS 9, these assets qualify for the solely payments of principal and interest model. Upon initial recognition, these are recognized at fair value. Subsequently these assets are carried at amortized cost less expected credit losses. Interest revenue is recorded on an effective interest basis.

Refer to Note 3A for significant changes in accounting policies with the adoption on IFRS 9 and impairment of mortgages and loans receivable. An impairment loss for mortgages and loans receivable are measured at amortized cost and is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings or loss. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of a previous impairment loss to reverse or partially reverse, the decrease in impairment is reversed through net earnings or loss.

### **H. INCOME TAXES**

Taxation on earnings comprises current and deferred income tax. Taxation is recognized in the statement of net loss and comprehensive 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.

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.

### **I. REVENUE RECOGNITION**

Crop revenue includes the sale of canola and other crops in Canada to grain elevators and canola crushing facilities. Revenue is recognized when the crop is delivered to and has been accepted on the customers' premises. Revenue is recognized at a point in time and amounts owing are usually paid shortly after delivery. Discounts are only assessed when the quality of the crop delivered does not meet the contracted quality specified.

Interest revenue on mortgages and loans receivable and interest on trade and other receivables is recorded on an effective interest basis.

### **J. NET SETTLEMENT OF CROP INTERESTS**

In addition to regular crop deliveries, crop tonnage obligations outstanding on crop 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 crop 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 crop 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 gain or loss from settlements of crop interests on the statement of net loss and comprehensive loss.

### **K. 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 net loss and comprehensive loss.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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.

### L. NEW STANDARDS, AMENDMENTS 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 and that will have an impact for Input are outlined below:

Proposed Standard	Description	Effective Date	Expected Impact
IFRS 16 – Leases	The new standard specifies how an IFRS reporter will recognize, measure, present and disclose leases.	Fiscal years beginning on or after January 1, 2019, applied retrospectively.	The Company does not expect a significant impact on the financial statements, but continues to do analysis.
IFRIC Interpretation 23 - Uncertainty over income tax treatments	The interpretation provides guidance on the accounting for current and deferred tax assets and liabilities in certain circumstances in which there is uncertainty over income tax treatments.	Fiscal years beginning on or after January 1, 2019, applied prospectively.	The Company does not expect any significant impact on the financial statements, but continues to do analysis.

Input plans to adopt the above standards when they become effective.

### 4. *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 \$80,600,158 (September 30, 2018 - \$101,370,892) of equity attributable to common shareholders, comprised of issued capital (Note 10), contributed surplus (Note 10), and accumulated deficit.

**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 crop interests. Management's view is that the carrying amounts of these assets represent the maximum credit exposure.

The carrying amount of these assets is:

	September 30, 2019	September 30, 2018
Cash	\$ 11,439,460	\$ 14,876,770
Trade and other receivables	2,555,228	3,374,627
Crop interests (Note 5)	28,394,845	37,334,191
Mortgages and loans receivable (Note 7)	59,243,087	55,290,414
	<b>\$ 101,632,620</b>	<b>\$ 110,876,002</b>

Management has implemented a number of policies and procedures to manage credit risk. These include: assignments of collateral and security; assignment of crop insurance; and use of derivatives. Management also monitors the agriculture environment to ensure that policies, activities and prices are appropriate and relevant.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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

	September 30, 2019	September 30, 2018
Not past due	\$ 1,348,669	\$ 1,133,542
Past due 0-90 days	141,855	22,835
More than 90 days past due	1,072,319	2,218,250
Total trade and other receivables	2,562,843	3,374,627
Allowance for doubtful accounts	(7,615)	-
Total trade and other receivables net of allowance	\$ 2,555,228	\$ 3,374,627

COMMODITY PRICE RISK - The Company's financial results may be significantly affected by fluctuations in the price of crops. The price of crops 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 crop interests as at September 30, 2019, a 1% increase, or decrease, in the price of canola would result in a \$240,334 (September 30, 2018 - \$283,863) increase, or decrease, in the market value adjustment amount recorded on the statement of net loss and comprehensive loss.

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, first 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.

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

	Payment due by period				Total
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	
Purchase obligations	\$ 9,835,737	\$ 11,573,601	\$ 5,126,787	\$ -	\$ 26,536,125

Financial liabilities and other contractual obligations at September 30, 2019, and their maturities are summarized below:

	Payment due by period				Total
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	
Trade and other payables	\$ 2,075,566	\$ -	\$ -	\$ -	\$ 2,075,566

Operating leases obligations at September 30, 2019 are summarized below:

	Payment due by period				Total
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	
Operating lease obligations	\$ 300,683	\$ 127,820	\$ -	\$ -	\$ 428,503

Revolving credit repayment obligations at September 30, 2019 are summarized below:

	Payment due by period				Total
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	
Revolving credit repayments	\$ 5,404,008	\$ -	\$ -	\$ -	\$ 5,404,008

Long-term debt repayment and interest obligations at September 30, 2019 are summarized below:

	Payment due by period				Total
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	
Long-term debt principal and interest repayments	\$ 1,163,622	\$ 2,455,606	\$ 19,083,222	\$ -	\$ 22,702,450

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

**INTEREST RATE RISK** - The company has mortgages and loans receivable that are measured at amortized cost and contain a fixed interest rate. There is no variability in cash flow amounts or timing of cash flows with changes in interest rates, however, there are changes in the fair value of these financial assets. A 1% change in the interest rate results in a \$2,244,503 change in the fair value of the mortgages and loans receivable.

At each reporting date the fair value of each crop interest contract is calculated using internal discounted cash flow models that rely on forward commodity pricing provided by independent sources. Changes in interest rates impact the fair value of these crop interests. A 1% change in the interest rate results in a \$371,379 change in the value of the crop interests.

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

**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 9, 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, 2019	September 30, 2018
Cash	Amortized cost	1	\$ 11,439,460	\$ 14,876,770
Trade and other receivables	Amortized cost	2	2,555,228	3,374,627
Other financial assets (liabilities)	Fair value through profit or loss	2	(420,891)	3,021,252
Crop interests	Fair value through profit or loss	3	28,394,845	37,334,191
Mortgages and loans receivable	Amortized cost	2	59,243,087	55,290,414
Trade and other payables	Other financial liabilities	2	2,075,566	3,820,191
Revolving credit	Other financial liabilities	2	5,404,008	3,686,707
Long-term debt	Other financial liabilities	2	19,216,920	9,967,276

The following table represents the change in fair values recognized in the statement of net loss and comprehensive loss.

	Year ended September 30, 2019	Year ended September 30, 2018
Other financial assets (liabilities)	\$ (3,499,516)	\$ 909,751
Crop interests	(823,488)	(1,887,888)
Unrealized market value loss	\$ (4,323,004)	\$ (978,137)

The following table represents expected credit losses and impairment losses recognized in the statement of net loss and comprehensive loss.

	Year ended September 30, 2019	Year ended September 30, 2018
Trade and other receivables	\$ (1,158)	\$ -
Mortgages and loans receivable	(539,426)	(1,900,087)
Expected credit losses and impairment losses	\$ (540,584)	\$ (1,900,087)

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.

**LOANS AND BORROWINGS** - The Company has a \$25 million credit facility with HSBC Bank Canada. Included in the \$25 million is up to \$10 million that is secured against the mortgages underlying mortgage streams with Input clients and \$15 million in a revolving credit facility. As of September 30, 2019, there was \$9,447,319 (September 30, 2018 - \$nil) drawn on the \$10 million available. As of September 30, 2019, there was \$5,404,008 (September 30, 2018 - \$3,686,707) drawn on the \$15 million revolving credit facility. The covenants of the facility include a maximum total liabilities to tangible net worth ratio of 1 to 1, a minimum current ratio of 1.2 to 1, and a debt service coverage ratio of 1.25 to 1. At September 30, 2019, the Company met all of its covenants as required by the facility.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

The Company has term debt with Concentra Bank that is secured against the mortgages underlying mortgage streams with Input clients. As September 30, 2019 there was \$9,769,601 (September 30, 2018 - \$9,967,276) drawn on the \$10 million available. The covenants of the term debt include a minimum debt service coverage ratio of 1.5 to 1. At September 30, 2019, the Company met all of its covenants as required by the debt agreement.

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

### 5. Crop interests and other financial assets (liabilities)

	September 30, 2019	September 30, 2018
Crop interests:		
Opening balance - date	October 1, 2018	October 1, 2017
Opening balance	\$ 37,334,191	\$ 66,356,375
Acquisition of crop interests - upfront payments	4,370,813	3,146,810
Acquisition of crop interests - crop payments	17,610,487	15,525,999
Realization of crop interests - upfront payments	(7,620,036)	(10,725,804)
Realization of crop interests - crop payments	(18,422,180)	(16,575,242)
Realization of crop interests - realized market value adjustment	(48,971)	(1,157,275)
Settlements on contracts that are in the process of restructuring and or security realization	(1,090,478)	(876,024)
Buy back of crop contracts	(2,915,493)	(16,472,760)
Market value adjustment	(823,488)	(1,887,888)
	\$ 28,394,845	\$ 37,334,191
Crop interests (including amounts relating to terminated contracts):		
Current	\$ 6,883,620	\$ 8,241,346
Non-current	21,511,225	29,092,845
	\$ 28,394,845	\$ 37,334,191

The fair value of each 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 crop 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 crop interests is a cumulative unrealized market value loss of \$14,398,398 (September 30, 2018 - loss of \$14,946,581) on streaming contracts that are in the process of restructuring and/or security realization relating to changes in the timing and expected net cash flows associated with the settlement of crop delivery obligations.

As at September 30, 2019 there are streaming contracts that are in the process of restructuring and/or security realization. The value of these contracts included in crop interests at September 30, 2019 is \$13,238,042 (September 30, 2018 - \$9,380,413).

A producer or the Company may negotiate a buy back of a streaming contract. The buy back of crop interests resulted in a gain as disclosed further in Note 13.

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

	Year ended September 30, 2019	Year ended September 30, 2018
Unrealized market value gain (loss)	\$ (3,499,516)	\$ 909,751

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

Part of the Company's crop marketing program involves the purchase of crop futures and options contracts to maintain an open pricing position. Included in realized loss on futures and options is a loss of \$376,247 for the year ended September 30, 2019 (year ended September 30, 2018 - gain of \$768,186).

### 6. 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, 2019	September 30, 2018
Land	\$ 992,771	\$ 827,653

### 7. Mortgages and loans receivable

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

At September 30, 2017		\$ 12,328,710
Issuance of mortgages and loans receivable		43,892,925
Increase in interest receivable on mortgages and loans receivable		1,088,782
Less settlements on loans receivable		(119,916)
Increase in allowance for impairment		(1,900,087)
At September 30, 2018		55,290,414
Expected credit losses - October 1, 2018 (Note 3)		(736)
Issuance of mortgages		9,927,903
Less settlements on mortgages and loans receivable		(6,037,069)
Increase in interest receivable on mortgages and loans receivable		1,090,980
Increase in expected credit losses		(1,028,405)
At September 30, 2019		\$ 59,243,087
	September 30, 2019	September 30, 2018
Mortgages and loans receivable		
Current	\$ 3,151,153	\$ 2,218,694
Non-current	56,091,934	53,071,720
	\$ 59,243,087	\$ 55,290,414

The weighted average yield of the mortgages and loans is 6.6% and the weighted average term is 3.6 years. The fair value of the loans and mortgages are calculated on a discounted cash flow basis using the prevailing market rates. The fair value of the mortgages and loans receivable at September 30, 2019 is \$59,016,371 (September 30, 2018 - \$54,547,619).

The allowance for expected mortgage credit losses as at September 30, 2019 is \$2,929,228 (September 30, 2018 - \$1,900,087). The Company continues to assess the probability and amount of credit losses at each reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

Details regarding the expected mortgage credit losses are outlined below:

	Performing (stage 1)	Significant increase in credit risk (stage 2)	Expected credit losses on impaired mortgages (stage 3)	Total
Mortgages and loans receivable - gross carrying value	\$ -	\$ 32,925,075	\$ 29,247,240	\$ 62,172,315
Expected credit loss balance on mortgages and loans receivable - beginning of year	-	(736)	(1,900,087)	(1,900,823)
Provision for mortgage losses				
Re-measurement	-	(3,220)	(536,206)	(539,426)
Total provision for the year	-	(3,220)	(536,206)	(539,426)
Transfer from crop interests	-	-	(488,979)	(488,979)
Expected credit loss balance on mortgages and loans receivable - end of year	-	(3,956)	(2,925,272)	(2,929,228)

Comparative information under IAS 39 is presented below:

	Total
Mortgages and loans receivable - gross carrying value	\$ 57,190,501
Allowance for impairment - beginning of year	-
Impairment expense	(1,900,087)
Allowance for impairment - end of year	(1,900,087)

Mortgages and loans receivable principal and interest past due are as follows:

	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
As at September 30, 2019	\$ 35,000	\$ 29,143	\$ 52,058	\$ 1,201,153	\$ 1,317,354

The estimated principal repayments in each of the next five fiscal periods are as follows:

2020	\$ 3,151,153
2021	2,139,377
2022	11,261,344
2023	38,771,473
2024	2,481,598
Thereafter	1,438,142
	\$ 59,243,087

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

### 8. Revolving credit

The Company has up to \$15 million in a revolving credit facility with HSBC Bank Canada. The principal amount of each advance is due to be repaid by December 31 of the calendar year in which the advance was made. Interest, which is equal to prime plus 1% is payable monthly on the first of each month. A continuity schedule of the Company's revolving debt is presented below:

At September 30, 2017	\$ 6,351,478
Advances	4,984,659
Repayments	(7,649,430)
At September 30, 2018	\$ 3,686,707
Advances	5,404,008
Repayments	(3,686,707)
At September 30, 2019	\$ 5,404,008

Interest expense relating to the revolving credit facility for the year ended September 30, 2019 is \$206,146 (year ended September 30, 2018 - \$166,511).

### 9. Long-term debt

The Company has up to \$10 million in five year term debt available from Concentra Bank. The term debt bears a fixed interest rate of 4.33% and interest is payable semi-annually. The debt is secured by mortgages underlying mortgage streams with Input clients. A continuity schedule of the Company's term debt with Concentra is presented below:

At September 30, 2017	\$ -
Advances	9,967,276
At September 30, 2018	9,967,276
Repayments	(197,675)
At September 30, 2019	\$ 9,769,601

The Company has up to \$10 million in revolving debt available from HSBC Bank Canada for mortgage funding purposes. The debt bears an interest rate of prime plus 1% (4.95% at September 30, 2019) and interest is payable semi-annually. The debt is secured by mortgages underlying mortgage streams with Input clients. A continuity schedule of the Company's mortgage related debt with HSBC is presented below:

At September 30, 2018	\$ -
Advances	13,263,319
Repayments	(3,816,000)
At September 30, 2019	\$ 9,447,319

Interest expense relating to the term debt for the year ended September 30, 2019 is \$827,261 (year ended September 30, 2018 - \$61,691). The carrying value of the term debt approximates its fair value as at September 30, 2019.

The estimated principal repayments on the Company's long-term debt in each of the next five fiscal periods is as follows:

2020	\$ 355,174
2021	355,174
2022	355,174
2023	18,151,398
2024	-
	\$ 19,216,920

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

### 10. Share capital, contributed surplus and retained 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 AND PURCHASED

	Number of Shares	Share Capital
Common shares - September 30, 2017	82,672,758	\$ 109,741,237
Options exercised	2,229,602	2,560,029
Shares purchased for cancellation under the normal course issuer bid	(1,651,400)	(2,023,558)
Common shares - September 30, 2018	83,250,960	\$ 110,277,708
Shares purchased for cancellation under the normal course issuer bid	(3,411,120)	(2,712,738)
Shares purchased for cancellation under the substantial issuer bid	(16,088,083)	(13,192,228)
Reduction in stated capital	-	(11,337,823)
Common shares - September 30, 2019	63,751,757	\$ 83,034,919

The Company has a normal course issuer bid for the repurchase of approximately ten percent of the company's public float in a given year. The bid commenced on December 14, 2017 and was in effect until December 13, 2018. The normal course issuer bid was renewed on December 18, 2018 and will continue until the earlier of December 17, 2019 and the date by which Input has acquired the maximum shares which may be purchased.

During the year ended September 30, 2019, the Company bought back 3,411,120 shares under its normal course issuer bid at an average price of \$0.80 per share (year ended September 30, 2018 - 1,651,400 shares at an average price of \$1.23). During the year ended September 30, 2019, the Company cancelled 3,349,520 shares (year ended September 30, 2018 - 1,528,500).

On July 15, 2019, Input announced the completion of the substantial issuer bid, in which Input bought back and cancelled 16,088,083 shares at a price of \$0.82 per share, for a total expenditure of \$13,192,228.

As approved by the shareholders at the Company's Annual General Meeting held on February 26, 2019, the stated capital of the Company's common shares was reduced to \$98,000,000 effective February 26, 2019. The reduction of share capital was applied to the deficit which was reduced by \$11,337,823.

#### 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 vest over a three year period. Each share option converts into one common share of the Company on exercise.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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

Option series	Number	Expiry date	Exercise price	Fair value at date of grant
(1) granted on December 1, 2013	2,386,622	December 1, 2018	\$ 1.73	\$ 1.73
(2) granted on May 27, 2014	36,600	May 27, 2019	\$ 2.20	\$ 2.20
(3) granted on November 28, 2014	37,218	November 28, 2019	\$ 2.01	\$ 2.01
(4) granted on June 10, 2015	732,100	June 10, 2020	\$ 3.05	\$ 3.05
(5) granted on November 16, 2015	30,900	November 16, 2020	\$ 1.88	\$ 1.88
(6) granted on June 8, 2016	912,700	June 8, 2021	\$ 2.18	\$ 2.18
(7) granted on December 15, 2016	642,900	December 15, 2021	\$ 2.00	\$ 2.00
(8) granted on December 15, 2017	1,781,000	December 15, 2022	\$ 1.54	\$ 1.54
(9) granted on December 21, 2018	941,500	December 21, 2023	\$ 0.80	\$ 0.80

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 September 30, 2017 and are based on management's best estimates at the time of issuance.

Inputs into the model	Option Series	
	Series 8	Series 9
Grant date share price	\$ 1.54	\$ 0.80
Exercise price	\$ 1.54	\$ 0.80
Average vesting period from grant date	3.00 years	3.00 years
Volatility	48.89%	53.02%
Expected life	5.00 years	5.00 years
Dividend yield	2.60%	5.00%
Risk free interest rate	1.65%	1.89%

Volatility above is calculated based on the daily historical share price volatility over the expected life of the option.

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

At September 30, 2019, 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	0.00	2,386,622	-	-	2,386,622	-
Series 2	0.00	36,600	-	-	36,600	-
Series 3	0.16	37,218	-	-	37,218	-
Series 4	0.70	732,100	-	-	54,000	678,100
Series 5	1.13	30,900	-	-	30,900	-
Series 6	1.69	912,700	-	-	78,300	834,400
Series 7	2.21	598,279	44,621	-	49,400	593,500
Series 8	3.21	1,063,721	717,279	-	204,600	1,576,400
Series 9	4.22	243,328	698,172	-	222,100	719,400
Weighted average	2.56	6,041,468	1,460,072	-	3,099,740	4,401,800

A continuity schedule of the total number of options is presented below:

Options outstanding at September 30, 2017 (weighted average exercise price is \$1.72)	6,975,042
Issued	1,781,000
Exercised	(2,229,602)
Expired or cancelled	(180,500)
Options outstanding at September 30, 2018 (weighted average exercise price is \$1.92)	6,345,940
Issued	941,500
Expired or cancelled	(2,885,640)
Options outstanding at September 30, 2019 (weighted average exercise price is \$1.70)	4,401,800

### D. DIVIDENDS

The Company declared the following dividends since October 1, 2017 to the shareholders of record on the following dates.

Record date	Dividend per share	Shares outstanding	Total Dividend
December 31, 2017	\$ 0.01	84,802,460	\$ 848,025
March 31, 2018	0.01	84,379,560	843,796
June 30, 2018	0.01	84,172,160	841,722
September 30, 2018	0.01	83,250,960	832,510
December 31, 2018	0.01	82,550,460	826,482
March 31, 2019	0.01	82,154,460	821,545
June 30, 2019	0.01	82,021,960	820,220
September 30, 2019	0.01	63,751,757	637,518

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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

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

	Year ended September 30, 2019	Year ended September 30, 2018
Basic weighted average number of shares	78,774,808	84,043,251
Dilutive securities:		
Share options	4,911,096	6,534,232

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.

### 12. Crop revenue, purchase of crop and other direct expenses, and realization of crop interests

Crop revenue, realization of crop interests and other direct expenses for crop sales is presented below:

	Year ended September 30, 2019	Year ended September 30, 2018
Crop revenue	\$ 39,400,781	\$ 36,763,123
Realization of crop interests		
Upfront payments	6,160,211	8,052,714
Crop payments	17,475,977	15,696,262
Realized market value (gain) expense	(7,027)	167,888
Purchase of crop and other direct expenses	13,429,422	9,470,466
Profit from crop contracts	\$ 2,342,198	\$ 3,375,793

### 13. Net settlement of crop interests

The net settlement of crop interests is presented below:

	Year ended September 30, 2019	Year ended September 30, 2018
Total cash proceeds received for settlement of current crop interests	\$ 3,478,033	\$ 4,573,146
Amounts applied to the realization of crop interests		
Upfront payments	1,459,825	2,673,090
Crop payments	946,203	878,980
Realized market value (gain) expense	(6,489)	33,380
Other direct expenses	4,803	9,787
Net settlement of current crop interests	\$ 1,073,691	\$ 977,909
Gain on buy-back of non-current crop interests	333,481	703,549
Realized market value loss on buyouts	(62,487)	(956,007)
Gain from settlements of crop interests	\$ 1,344,685	\$ 725,451

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

### 14. Corporate administration

The corporate administration expenses of the Company are as follows:

	Year ended September 30, 2019	Year ended September 30, 2018
Advertising and client development	\$ 340,027	\$ 570,048
Amortization of capital and intangible assets	81,989	45,892
Board and executive expenses (gain)	128,856	(20,616)
Contractors, employee salaries and benefits	2,363,838	3,021,410
Investor relations and public company costs	388,551	229,750
Licenses, dues and filing fees	142,650	242,201
Mortgage administration and commissions	80,607	49,119
Office expenses	549,225	490,647
Professional fees – legal, accounting, tax and collection	804,165	1,215,819
Share option based compensation	480,249	795,614
<b>Total corporate administration expense</b>	<b>\$ 5,360,157</b>	<b>\$ 6,639,884</b>

### 15. 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 loss before income taxes. These differences result from the following items:

	Year ended September 30, 2019	Year ended September 30, 2018
Net loss before income tax	\$ (2,884,006)	\$ (1,821,105)
Canadian federal and provincial tax rates	27.0%	27.0%
Income tax recovery based on the above rates	(778,681)	(491,698)
Increase (decrease) due to the tax effect of:		
Non-deductible stock compensation	129,667	214,816
True up from prior year	-	(133,758)
Tax effect related to change in tax rate	-	(50,620)
Other	-	23,377
<b>Income tax recovery</b>	<b>\$ (649,014)</b>	<b>\$ (437,883)</b>

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

	Year ended September 30, 2019	Year ended September 30, 2018
Current	\$ (771,880)	\$ 360,992
Deferred	122,866	(798,875)
	<b>\$ (649,014)</b>	<b>\$ (437,883)</b>

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

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

	September 30, 2019	September 30, 2018
Deferred income tax assets		
Share issuance costs	\$ -	\$ 74,406
DSU compensation	163,944	180,767
Capital and intangible assets	(13,306)	(27,248)
Market value adjustment	3,026,218	3,364,410
Non-capital loss carryforwards	292,613	-
<b>Total deferred income tax assets</b>	<b>\$ 3,469,469</b>	<b>\$ 3,592,335</b>

### 16. Supplemental cash flow information

	Year ended September 30, 2019	Year ended September 30, 2018
Change in non-cash working capital items		
Trade and other receivables	\$ 314,328	\$ 4,218,286
Prepaid expenses	282,987	(333,096)
Trade and other payables	(1,221,285)	(4,766,670)
<b>Net decrease in cash</b>	<b>\$ (623,970)</b>	<b>\$ (881,480)</b>

### 17. Key management personnel compensation

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

	Year ended September 30, 2019	Year ended September 30, 2018
Contractors, employee salaries and benefits	\$ 927,306	\$ 956,679
Deferred share unit expense (see Note 18)	(64,870)	(95,194)
Share based payments	333,111	647,895
<b>Total key management compensation expense</b>	<b>\$ 1,195,547</b>	<b>\$ 1,509,380</b>

### 18. 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, 2019 there were 843,333 DSUs granted, vested and outstanding (September 30, 2018 - 673,764). Included in Trade and other payables at September 30, 2019 is \$607,200 (September 30, 2018 - \$673,764) relating to the valuation of the DSUs. Included in Board and executive expenses (gain) under corporate administration expense for the year ended September 30, 2019 is a gain of \$64,870 (year ended September 30, 2018 - gain of \$95,194) relating to the valuation of the DSUs. During the year ended September 30, 2019, \$113,887 was paid out for DSUs being cash-settled (year ended September 30, 2018 - \$nil).

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

### 19. Related party transactions

The Company is related to Emsley & Associates (2002) Inc. and Dalhousie 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 21). 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 September 30, 2019	Year ended September 30, 2018
Corporate administration	\$ 885,786	\$ 822,085

Included in Corporate administration (Note 15) is \$370,649 for the year ended September 30, 2019 (year ended September 30, 2018 - \$351,325), relating to key management compensation and is included in contractors, employee salaries and benefits.

Included in Trade and other payables is \$17,072 (September 30, 2018 - \$176,872) payable to related parties.

### 20. Commitments and Contingencies

At September 30, 2019 the Company had a contract of insurance in favour of the Canadian Grain Commission in the amount of \$1,500,000 from October 1, 2018 to January 31, 2019, decreasing down to \$1,000,000 from February 1 to September 30, 2019 (September 30, 2018 - \$1,000,000). The policy can be claimed against by the beneficiary in the event of a producer grain payment default. The policy expires on March 31, 2020.

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 remaining under the lease are as follows:

Commitments and contingencies	
2020	300,683
2021	127,820
	\$ 428,503