



**INPUT CAPITAL**  
THE AGRICULTURE STREAMING COMPANY

**Unaudited Condensed Interim**

**Financial Statements**

**for the six months ended March 31, 2018**

## **UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, Input Capital Corp. discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the six month periods ended March 31, 2018 and 2017.

## **CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

*(Unaudited)*

	Note	As at March 31, 2018	As at September 30, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash	6	\$ 25,308,120	\$ 17,614,846
Trade and other receivables	7	3,365,674	8,412,960
Current portion of canola interests	5, 7	10,990,844	14,964,597
Other financial assets	5, 7	640,950	2,066,382
Assets held for sale	8	827,653	827,653
Prepaid expenses		341,476	346,009
Mortgages and loans receivable	5, 9	298,000	73,500
		\$ 41,772,717	\$ 44,305,947
<b>Non-current</b>			
Canola interests	5, 7	\$ 43,692,510	\$ 51,391,778
Deferred income tax assets	17	2,765,229	2,793,460
Capital and intangible assets		167,580	158,514
Mortgages and loans receivable	5, 9	23,171,636	12,255,210
Assets held under an agreement for sale	10	9,650,000	9,650,000
		\$ 121,219,672	\$ 120,554,909
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	5, 7, 9, 21	\$ 9,268,381	\$ 8,676,274
Revolving credit	11	5,185,331	6,351,478
Income tax payable	17	487,038	408,649
		\$ 14,940,750	\$ 15,436,401
<b>EQUITY</b>			
Share capital	12	\$ 111,484,526	\$ 109,741,237
Contributed surplus	12	3,025,674	2,938,933
Deficit	12	(8,231,278)	(7,561,662)
		\$ 106,278,922	\$ 105,118,508
		\$ 121,219,672	\$ 120,554,909

ON BEHALF OF THE BOARD

"Douglas Emsley", Director

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

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

## **CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

*(Unaudited)*

	Note	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
<b>Revenue</b>	14	\$ 6,207,808	\$ 5,079,793	\$ 31,642,286	\$ 15,685,835
<b>Expenses and other income</b>					
Amortization of capital and intangible assets		12,377	9,737	24,113	18,166
Corporate administration	16, 20	1,896,066	1,787,387	3,744,664	3,355,601
Interest expense on revolving credit	11	17,469	3,789	64,529	5,647
Interest income		(406,608)	(38,149)	(732,646)	(81,997)
Net cash settlement of canola interests	15	(139,082)	(1,526,461)	(488,139)	(1,990,348)
Other loss (income)	7	(873,985)	133,189	(683,117)	(45,259)
Purchase of canola and other direct expenses	14	4,509,817	2,469,532	8,111,752	4,266,053
Realization of canola interests	14	1,925,007	4,145,513	20,142,681	11,190,961
<b>Profit (loss) before the undernoted</b>		\$ (733,253)	\$ (1,904,744)	\$ 1,458,449	\$ (1,032,989)
Unrealized market value loss (gain)	7	(1,424,037)	4,591,883	(82,715)	5,133,748
<b>Net income (loss) before income tax</b>		\$ 690,784	\$ (6,496,627)	\$ 1,541,164	\$ (6,166,737)
Income tax expense (recovery)	17	250,228	(1,687,367)	518,957	(1,540,115)
<b>Net income (loss) and comprehensive income (loss)</b>		\$ 440,556	\$ (4,809,260)	\$ 1,022,207	\$ (4,626,622)
<b>Basic earnings (loss) per share</b>	13	\$ 0.01	\$ (0.06)	\$ 0.01	\$ (0.06)
<b>Fully diluted earnings (loss) per share</b>	13	0.00	(0.06)	0.01	(0.06)

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

## CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

Cash flow from (applied to)	Note	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
<b>Operating activities</b>					
<b>Net (loss) income for the period</b>		\$ 440,556	\$ (4,809,260)	\$ 1,022,207	\$ (4,626,622)
Adjustments					
Amortization of capital and intangible assets		12,377	9,737	24,113	18,166
Deferred share unit expense (gain)	20	14,123	(45,708)	66,447	(96,983)
Deferred income tax expense (recovery)	17	158,960	(1,955,388)	(155,247)	(2,356,622)
Interest income		(406,608)	(38,149)	(732,646)	(81,997)
Interest received		390,919	42,868	589,037	82,754
Net non-cash proceeds from settlement of canola interests		-	(1,623,614)	-	(1,623,614)
Realization of canola interests	7, 14, 15	2,330,930	4,904,075	22,623,138	14,188,931
Share based payments	12	253,476	247,120	417,169	462,610
(Gain) from buy back of canola interests	7	(395,648)	(20,236)	(451,048)	(136,708)
Loss (gain) from sale of canola futures and options	7	(382,351)	192,651	(42,541)	149,758
Unrealized market value loss (gain)	7	(1,424,037)	4,591,883	(82,715)	5,133,748
Changes in non-cash working capital	18	(2,919,930)	526,524	3,378,285	4,783,869
<b>Cash generated from (applied to) operating activities</b>		\$ (1,927,233)	\$ 2,022,503	\$ 26,656,199	\$ 15,897,290
<b>Investing activities</b>					
Acquisition of canola interests	7	(2,439,964)	(13,760,314)	(15,268,777)	(16,889,539)
Proceeds from buy back of canola interests	7	2,344,357	287,807	2,777,997	587,807
Proceeds from contracts in restructuring and or security realization	7	241,811	7,963	873,689	8,794
Acquisition of assets held for sale		-	-	-	(119,100)
Issuance of mortgages and loans receivable		(5,928,360)	-	(5,928,360)	-
Net proceeds (cost) of canola futures and options	7	481,950	(281,801)	43,741	(189,658)
Purchase of capital and intangible assets		(5,807)	(41,204)	(33,179)	(58,633)
<b>Cash applied to investing activities</b>		\$ (5,306,013)	\$ (13,787,549)	\$ (17,534,889)	\$ (16,660,329)
<b>Financing activities</b>					
Dividends paid	12	(848,024)	(817,228)	(1,674,752)	(817,228)
Net draws (repayment) on revolving credit facility	11	3,677,073	1,646,772	(1,166,147)	2,106,353
Purchase of common shares	12	(630,912)	-	(816,739)	-
Proceeds from shares issued	12	-	-	2,229,602	60,000
<b>Cash generated from (applied to) financing activities</b>		\$ 2,198,137	\$ 829,544	\$ (1,428,036)	\$ 1,349,125
Net increase (decrease) in cash		(5,035,109)	(10,935,502)	7,693,274	586,086
Cash – beginning of the period		30,343,229	28,164,253	17,614,846	16,642,665
Cash – end of the period		\$ 25,308,120	\$ 17,228,751	\$ 25,308,120	\$ 17,228,751

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

## **CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

*(Unaudited)*

	Note	Share Capital		Contributed Surplus	Retained Earnings	Total
		Number	Amount	Share Options	(Deficit)	
At September 30, 2016		81,662,758	\$ 108,384,935	\$ 2,378,506	\$ 4,849,396	\$ 115,612,837
Options exercised	12	60,000	\$ 68,892	\$ (8,892)	\$ -	\$ 60,000
Share based payment – options	12	-	-	462,610	-	462,610
Dividends	12	-	-	-	(1,634,458)	(1,634,458)
Total comprehensive income		-	-	-	(4,626,622)	(4,626,622)
At March 31, 2017		81,722,758	\$ 108,453,827	\$ 2,832,224	\$ (1,411,684)	\$ 109,874,367
Options exercised	12	950,000	\$ 1,287,410	\$ (253,410)	\$ -	\$ 1,034,000
Share based payment – options	12	-	-	360,119	-	360,119
Dividends	12	-	-	-	(1,645,953)	(1,645,953)
Total comprehensive income		-	-	-	(4,504,025)	(4,504,025)
At September 30, 2017		82,672,758	\$ 109,741,237	\$ 2,938,933	\$ (7,561,662)	\$ 105,118,508
Options exercised	12	2,229,602	\$ 2,560,029	\$ (330,427)	\$ -	\$ 2,229,602
NCIB shares purchased for cancellation	12	(534,100)	(816,740)	-	-	(816,740)
Share based payment – options	12	-	-	417,168	-	417,168
Dividends	12	-	-	-	(1,691,821)	(1,691,821)
Total comprehensive income		-	-	-	1,022,205	1,022,205
At March 31, 2018		84,368,260	\$ 111,484,526	\$ 3,025,674	\$ (8,231,278)	\$ 106,278,922

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2018 - unaudited

## 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 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 unaudited condensed financial statements were authorized for issue by the Board of Directors on May 14, 2018.

## 2. 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.

## 3. Basis of presentation

### A. STATEMENT OF COMPLIANCE

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Committee ("IFRIC"). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the period ended September 30, 2017.

# ***NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS***

*March 31, 2018 - unaudited*

## **B. BASIS OF PREPARATION**

These unaudited condensed 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 5.
- Share purchase options and deferred share units that are accounted for according to the share-based payments criteria defined in Note 4H.

## **C. FUNCTIONAL AND PRESENTATIONAL CURRENCY**

The unaudited condensed 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.

## **4. *Key sources of estimation uncertainty and critical accounting judgments***

Information about significant areas of estimation uncertainty and judgments made by management in preparing the unaudited condensed interim financial statements are described below.

### **A. 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.

### **B. 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.

### **C. 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 gain or loss.



## ***NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS***

*March 31, 2018 - unaudited*

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 gain or loss. Realized gains and losses relating to these contracts is recorded in other loss (income) in the statement of comprehensive income.

### **D. 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 loss (income) in the statement of comprehensive income.

### **E. MORTGAGES AND LOANS RECEIVABLE**

Mortgages and loans receivable include mortgages and other loans that contain fixed and determinable payments. Upon initial recognition, these are recognized at fair value. 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 and are reflected in the provision for mortgage or loan losses.

### **F. 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 and are reflected in the provision for assets held under an agreement for sale losses.

### **G. INCOME TAXES**

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

## ***NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS***

*March 31, 2018 - unaudited*

### **H. 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.

### **I. NET CASH SETTLEMENT 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.

### **H. 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.

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.

## **5. *Financial instruments***

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. 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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2018 - unaudited

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	March 31, 2018	September 30, 2017
Other financial assets	Fair value through profit or loss	2	\$ 640,950	\$ 2,066,382
Canola interests	Fair value through profit or loss	3	54,683,354	66,356,375
Mortgages and loans receivable	Loans and receivables	2	23,469,636	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	\$ 8,783,743	\$ 13,441,832	\$ 10,673,460	\$ 658,670	\$ 33,557,705

Financial liabilities and other contractual obligations at March 31, 2018, and their maturities are summarized below:

	Payment due by period				
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
Trade and other payables	\$ 9,268,381	\$ -	\$ -	\$ -	\$ 9,268,381

LOANS AND BORROWINGS - The Company has a \$25 million revolving credit facility with HSBC Canada. As of March 31, 2018, there was \$5,185,331 (September 30, 2017 - \$6,351,478) drawn on the facility. The covenants of the 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 March 31, 2018, 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.

### 6. Cash

The Company has pledged \$1,000,000 in cash to secure a letter of credit issued by a Canadian chartered bank in conjunction with the security requirements of the Company's license with the Canadian Grain Commission.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2018 - unaudited

### 7. Canola interests, other financial assets and assets held for sale

	March 31, 2018	September 30, 2017
Canola interests:		
Opening balance	\$ 66,356,375	\$ 73,904,023
Acquisition of canola interests - upfront payments	3,711,273	32,506,623
Acquisition of canola interests - crop payments	11,557,501	8,558,858
Realization of canola interests - upfront payments	(9,540,635)	(18,792,646)
Realization of canola interests - crop payments	(12,899,591)	(8,713,344)
Realization of canola interests - realized market value adjustment	(182,912)	(1,509,148)
Recoveries on contracts that are in the process of restructuring and or security realization	(873,689)	(551,106)
Buy back of canola contracts	(4,951,915)	(7,920,062)
Market value adjustment	1,506,947	(11,126,823)
	\$ 54,683,354	\$ 66,356,375
Canola interests (including amounts relating to terminated contracts):		
Current portion of canola interests	\$ 10,990,844	\$ 14,964,597
Non-current canola interests	43,692,510	51,391,778
	\$ 54,683,354	\$ 66,356,375

Included in Trade and other receivables at March 31, 2018 is \$205,535 relating to canola deliveries made for which the payment have not yet been received as at March 31, 2018 (September 30, 2017 - \$3,914,899). There are \$155,520 in short-term advances to farmers included in trade and other receivables at March 31, 2018 (September 30, 2017 - \$919,655). These advances are interest bearing and approximate fair value given their short-term nature.

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 \$9,336,189 (September 30, 2017 - loss of \$9,315,446) relating to changes in the timing and expected net cash flows associated with the settlement of canola delivery obligations.

As at March 31, 2018 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 March 31, 2018 is \$9,967,292 (September 30, 2017 - \$10,132,293) 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 six months ended March 31, 2018 is \$514,532 (six months ended March 31, 2017 - \$236,690) 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 six months ended March 31, 2018, the Company received \$2,777,997 in cash proceeds (six month ended March 31, 2017 - \$587,807) relating to the settlement of future obligations under streaming contracts. The buy back of canola interests resulted in a gain of \$451,048 being recognized in other income. Included in the realization of canola interest - realized market value adjustment is a loss of \$296,457 relating to these buy backs.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Market value adjustment	\$ 202,047	\$ 732,867	\$ (1,424,232)	\$ 3,010,945

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 loss (gain) is a gain of \$382,351 for the three months ended March 31, 2018 (three months ended March 31, 2017 - loss of \$192,651) and a gain of \$42,541 for the six months ended March 31, 2018 (six months ended March 31, 2017 - loss of \$149,758) relating to realized gains or losses on these contracts.

### 8. 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:

	March 31, 2018	September 30, 2017
Land	\$ 827,653	\$ 827,653

### 9. 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:

	Principal outstanding
At September 30, 2016	\$ -
Issuance of mortgages	11,682,036
At March 31, 2017	11,682,036
Issuance of mortgages and loans receivable	646,674
At September 30, 2017	12,328,710
Issuance of mortgages	11,214,426
Less payments due on loans receivable	(73,500)
At March 31, 2018	\$ 23,469,636

The weighted average yield of the mortgages and loans is 7.27% and the weighted average term is 4.48 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 March 31, 2018 is \$23,209,691.

Included in Trade and other payables at March 31, 2018 is \$2,661,099 relating to mortgage and loan payment commitments for which the disbursement has not yet been made as at March 31, 2018 (September 30, 2017 - \$nil).

The allowance for mortgage credit losses as at March 31, 2018 is \$nil (September 30, 2017 - \$nil).

Mortgages and loans receivable past due but not impaired are as follows:

	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
As at March 31, 2018	\$ -	\$ -	\$ 54,250	\$ -	\$ 54,250

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### 10. 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 September 30, 2016 and March 31, 2017	\$ -
Additions of assets held under an agreement for sale	9,650,000
At September 30, 2017 and March 31, 2018	\$ 9,650,000

Under the agreement for sale, the purchaser is responsible for the control and management of the land and other assets. The title to 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 \$160,905 in rental revenue realized against the assets held under the agreement for sale for the six months ended March 31, 2018. 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	\$ 187,186	\$ 335,986	\$ 324,372	\$ 323,486	\$ 323,486

### 11. Revolving credit

The Company has a \$25 million revolving credit facility with HSBC Bank Canada. 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 monthly on the first of each month. A continuity schedule of the Company's revolving debt is presented below:

At September 30, 2016	\$ -
Advances	2,398,536
Repayments	(292,183)
At March 31, 2017	\$ 2,106,353
Advances	4,342,395
Repayments	(97,270)
At September 30, 2017	\$ 6,351,478
Advances	4,984,659
Repayments	(6,150,806)
At March 31, 2018	\$ 5,185,331

### 12. 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

	March 31, 2018		September 30, 2017	
	Number	\$	Number	\$
Common shares issued	84,902,360	\$112,301,266	82,672,758	\$109,741,237
NCIB shares purchased for cancellation	534,100	816,740	-	-
Common shares outstanding	84,368,260	\$111,484,526	82,672,758	\$109,741,237

During the six month period ended March 31, 2018 the Company bought back 534,100 shares under its Normal Course Issuer Bid (NCIB) at an average price of \$1.53 per share (six months ended March 31, 2017 - nil).

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2018 - unaudited

### 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 date of grant
(1) granted on November 30, 2012	3,129,602	November 30, 2017	\$ 1.00	\$ 1.00
(2) granted on July 18, 2013	350,000	November 30, 2017	\$ 1.28	\$ 1.60
(3) granted on December 1, 2013	2,386,622	December 1, 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, 2019	\$ 2.01	\$ 2.01
(6) granted on February 6, 2015	10,000	February 6, 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, 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, 2021	\$ 2.00	\$ 2.00
(11) granted on December 15, 2017	1,781,000	December 15, 2022	\$ 1.54	\$ 1.54

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, 2016 and are based on management's best estimates at the time of issuance.

Inputs into the model	Option Series	
	Series 10	Series 11
Grant date share price	\$ 2.00	\$ 1.54
Exercise price	\$ 2.00	\$ 1.54
Average vesting period from grant date	3.00 years	3.00 years
Volatility	47.48%	48.89%
Expected life	5.00 years	5.00 years
Dividend yield	2.00%	2.60%
Risk free interest rate	1.16%	1.65%



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At March 31, 2018, 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 3	0.67	2,386,622	-	-	-	2,386,622
Series 4	1.16	36,600	-	-	-	36,600
Series 5	1.66	37,218	-	-	-	37,218
Series 6	1.85	10,000	-	-	-	10,000
Series 7	2.20	686,154	45,946	-	10,800	721,300
Series 8	2.63	30,900	-	-	-	30,900
Series 9	3.19	555,059	357,641	-	21,900	890,800
Series 10	3.71	276,535	366,365	-	10,900	632,000
Series 11	4.71	172,407	1,608,593	-	-	1,781,000
Weighted average	2.60	4,191,495	2,378,545	-	43,600	6,526,440

### D. DIVIDENDS

On February 20, 2018 the Company declared a dividend of \$0.01 per share payable on April 16, 2018 to shareholders of record on March 31, 2018.

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

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

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Basic weighted average number of shares	84,620,853	81,722,758	83,903,689	81,696,055
Dilutive securities:				
Share options	6,526,440	7,958,942	6,760,124	7,717,182

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.

### 14. 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:

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Revenue from canola streaming contracts	\$ 1,943,078	\$ 2,812,490	\$ 24,235,850	\$ 11,833,484
Realization of canola interests				
Upfront payments	577,321	1,842,391	7,808,839	6,939,006
Crop payments	1,039,968	246,500	12,180,710	1,641,358
Realized market value adjustment	28,761	(29,192)	(143,325)	408,313
Other direct expenses	58,907	183,471	491,847	471,735
Profit from canola streaming	\$ 238,121	\$ 569,320	\$ 3,897,779	\$ 2,373,072



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Revenue from canola trading	\$ 4,264,730	\$ 2,267,303	\$ 7,406,436	\$ 3,852,351
Purchase of canola and other direct expenses	4,450,910	2,286,061	7,619,905	3,794,318
Profit (loss) from canola trading	\$ (186,180)	\$ (18,758)	\$ (213,469)	\$ 58,033

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

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Realization of canola interests				
Realized market value adjustment	\$ 278,957	\$ 2,085,814	\$ 296,457	\$ 2,202,284

### 15. Net cash settlement of canola interests

The net cash settlement of canola interests is presented below:

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Total cash proceeds received	\$ 546,937	\$ 6,154,234	\$ 2,971,821	\$ 8,857,529
Amounts applied to the realization of canola interests				
Upfront payments	213,214	3,906,492	1,731,796	6,030,917
Crop payments	179,985	429,206	718,881	552,772
Realized market value adjustment	12,724	291,788	29,780	283,205
Other direct expenses	1,932	287	3,225	287
Net cash settlement of canola interests	\$ 139,082	\$ 1,526,461	\$ 488,139	\$ 1,990,348

### 16. Corporate administration

The corporate administration expenses of the Company are as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Advertising and client development	\$ 162,486	\$ 205,371	\$ 302,379	\$ 359,240
Board and executive expenses (Note 20)	28,939	(28,765)	92,908	(17,549)
Contractors, employee salaries and benefits	848,366	818,864	1,755,907	1,546,317
Investor relations and public company costs	77,281	74,689	131,351	103,403
Licenses, dues and filing fees	47,717	83,585	128,347	138,608
Office expenses	120,046	119,329	228,818	241,682
Professional fees – legal, accounting, tax and collection	357,755	267,194	687,785	521,290
Share option based compensation (Note 12C)	253,476	247,120	417,169	462,610
Total corporate administration expense	\$ 1,896,066	\$ 1,787,387	\$ 3,744,664	\$ 3,355,601

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Net income (loss) before income tax	\$ 690,784	\$ (6,496,627)	\$ 1,541,164	\$ (6,166,737)
Canadian federal and provincial tax rates	26.5%	27.0%	26.5%	27.0%
Income tax expense based on the above rates	183,058	(1,754,089)	408,408	(1,665,019)
Increase due to the tax effect of:				
Non-deductible stock compensation	67,170	66,722	110,549	124,904
Income tax expense (recovery)	\$ 250,228	\$ (1,687,367)	\$ 518,957	\$ (1,540,115)

The income tax expense consists of the following:

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Current	\$ 91,268	\$ 268,021	\$ 674,204	\$ 816,507
Deferred	158,960	(1,955,388)	(155,247)	(2,356,622)
	\$ 250,228	\$ (1,687,367)	\$ 518,957	\$ (1,540,115)

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

	March 31, 2018	September 30, 2017
Deferred income tax assets		
Share issuance costs	\$ 174,955	\$ 358,433
DSU compensation	221,650	202,646
Market value adjustment	2,368,624	2,232,381
Total deferred income tax assets	\$ 2,765,229	\$ 2,793,460

### 18. Supplemental cash flow information

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Change in non-cash working capital items				
Trade and other receivables	\$ 1,448,132	\$ 284,749	\$ 5,264,393	\$ 2,460,208
Income tax recoverable	-	624,339	-	1,235,684
Prepaid expenses	(61,930)	(48,745)	4,533	(49,833)
Trade and other payables	(4,360,062)	(946,103)	(2,152,508)	525,526
Income tax payable	53,930	612,284	261,867	612,284
Net increase (decrease) in cash	\$ (2,919,930)	\$ 526,524	\$ 3,378,285	\$ 4,783,869

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### 19. 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.

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Contractors, employee salaries and benefits	\$ 172,141	\$ 176,464	\$ 348,454	\$ 351,135
Share based payments	189,588	198,654	320,123	376,428
Total key management compensation expense	\$ 361,729	\$ 375,118	\$ 668,577	\$ 727,563

### 20. 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 March 31, 2018 there were 572,888 DSUs granted, vested and outstanding (September 30, 2017 - 472,038). Included in Trade and other payables at March 31, 2018 is \$836,416 (September 30, 2017 - \$764,702) relating to the valuation of the DSUs. Included in Board and executive expenses (gain) under corporate administration expense for the three months ended March 31, 2018 is an expense of \$14,123 (three months ended March 31, 2017 - gain of \$45,708) and for the six months ended March 31, 2018 an expense of \$66,447 (six months ended March 31, 2017 - gain of \$96,983) relating to the valuation of the DSUs.

### 21. 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 22). 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:

	Three months ended March 31, 2018	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Corporate administration	\$ 181,376	\$ 234,721	\$ 362,736	\$ 466,098

Included in Corporate administration (Note 16) is \$62,500 for the three months ended March 31, 2018 (three months ended March 31, 2017 - \$119,769), relating to key management compensation and is included in contractors, employee salaries and benefits in Note 16.

Included in Trade and other payables is \$18,724 (September 30, 2017 - \$18,152) payable to related parties.

### 22. 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.

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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	
2018	\$ 139,128
2019	286,369
2020	300,683
2021	127,820
	<hr/>
	\$ 854,000