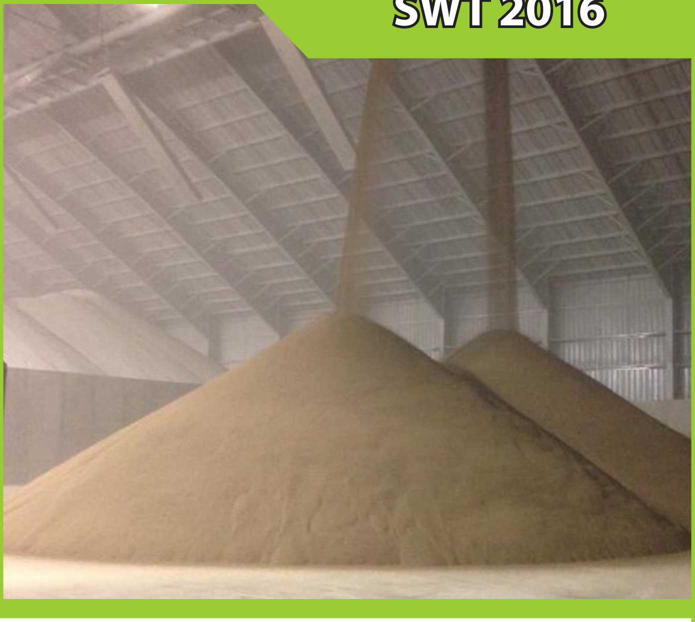

SWT

solid.steady.certain.

ANNUAL REPORT 2016

22nd ANNUAL REPORT

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VISION & MISSION

OUR VISION

To be recognized as the most trusted, innovative, and customer centric grain & crop inputs company by providing profit making solutions

OUR MISSION

Helping our customers succeed by being the leader in grain and crop inputs solutions

VALUES


RELATIONSHIPS
INDEPENDENCE
EMPOWERMENT
TRUST
SWT
solid.steady.certain.
SERVICE
ACCOUNTABILITY
VALUES

BOARD OF DIRECTORS

Rhett Allison	Chairman
Brett Meinert	Vice-Chairman
Rhonda Undseth	President
Roland Monette	Vice-President
Daren Caswell	Secretary
Ernie Sommer	Director
Ron Taylor	Director
Gene Busse	Director
Jim Opperman	Director
David Millie	Director
Shane Lacasse	Director
Laura Solberg	Cargill
Paul Hazzard	Cargill

COMMITTEES

AUDIT AND FINANCE COMMITTEE
Gene Busse
Laura Solberg
Nicole Isfjord
Shane Lacasse

BUILDING TASK FORCE
Daren Caswell
Jim Opperman
Ron Taylor

ITAC REP
Brett Meinert

EXECUTIVE COMMITTEE
Brett Meinert
Daren Caswell
Rhett Allison
Rhonda Undseth
Roland Monette

POLICY, GOVERNANCE AND NOMINATING COMMITTEE
David Millie
Ernie Sommer
Laura Solberg
Rhonda Undseth
Ron Taylor

RISK COMMITTEE
Jim Opperman
Paul Hazzard
Roland Monette

MEET THE STAFF

SENIOR MANAGEMENT TEAM

Monty Reich	General Manager
Jeff Kirwan	Crop Inputs Manager
Robert Chapman	Grain Manager

GRAIN SALES AND PROCUREMENT

Warren Mareschal	Sales Manager
Ron Cote	Farm Marketing Rep
Heather Camphaug	Farm Marketing Rep
Stacey Breen	Farm Marketing Rep/Superviser
Stacey Gleim	Farm Marketing Rep
Kent Mickleborough	Farm Marketing Rep
Julia Stanford	Administrative Assistant
Arlene Daniel	Administrative Assistant
Denise Anderson	Grain Merchandising Coordinator

GRAIN PLANT OPERATIONS

Kendell Radtke	Plant Manager
Taylor Dutton	Assistant Plant Manager
Jordan Retzlaff	Assistant Plant Manager
Tony Mandel	Plant Operator
Kevin Baumann	Plant Operator
Ryan Wiebe	Plant Operator
Dillon Friesen	Plant Operator
Tyrel Anderson	Plant Operator
Jared Down	Plant Operator
Paul Mandel	Plant Operator
Jordan Waldner	Plant Operator

CROP INPUTS GULL LAKE

Dave Elviss	Customer Relationship Manager
Cheyenne Arntsen	Operations Manager
Kelsey Dutton	Sales and Marketing Coordinator
Ryan Service	Farm Marketing Rep
Maegan Melvin	Agronomist
Corinna Gibson	Logistics Coordinator
Joel Butts	Facility Assistant
Pam Gedny	Administrative Assistant
Braden Nelson	Facility Assistant

CROP INPUTS HAZENMORE

Brody Loverin	Farm Marketing Rep
Jeff Dash	Farm Marketing Rep/Supervisor
Jeff Gilbert	Farm Marketing Rep
Barb Switzer	Administrative Assistant

CROP INPUTS CABRI

Al Ward	Farm Marketing Rep/Superviser
Jane Johnston	Agronomist
Barry McGuigan	Facility Assistant
Jim Wallis	Facility Assistant
Kara Shaw	Administrative Assistant
Bonnie Haley	Administrative Assistant

CROP INPUTS WYMARK

Nolan Waker	Farm Marketing Rep/Superviser
Justin Senicar	Farm Marketing Rep
Kali Heard	Farm Marketing Rep
Gregory Gillis	Facility Assistant

CROP INPUTS SHAUNAVON

Carol Meister	Agrologist
Kathy Wilkins	Administrative Assistant
Craig Bymoen	Facility Assistant
Damon Wilkins	Facility Assistant
Danny Fehr	Farm Marketing Rep
Cody Peskleway	Facility Assistant

MAINTENANCE

Tyler Flynn	Maintenance Operator
Devon Leduc	Maintenance Operator

FINANCE AND HUMAN RESOURCE

Shannon Armstrong	Human Resource Coordinator
Genna Luchenski	Controller
Drake May	Assistant Accountant
Layton Getz	Software Coordinator
Jasmin Tian	Lead Accountant
Lesley Urbanoski	Accounting Assistant

FERTILIZER WAREHOUSE

Justin Isherwood	Plant Manager
Dalton Ferriss	Plant Operator
Jordan Scott	Plant Operator
Mark Syer	Plant Operator

HEALTH, SAFETY & QUALITY

Carmen Moen	E,H & S Quality Coordinator

HIGHLIGHTS

2015

Highlights

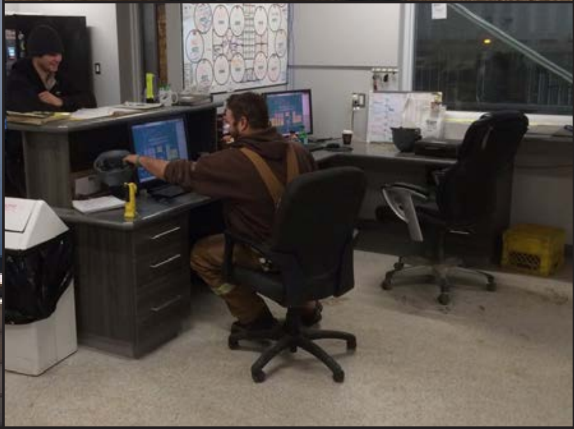
Capital Projects

SWT Main Office

10,000 square feet
16 closed offices
15 open office spaces
3 grading stations
Additional sample and lab storage

Railroad Expansion

3 Tracks: capacity of 124 cars/ea
2.5km in length
Facilitates ability to load grain and unload fertilizer simultaneously



Fertilizer Warehouse

50,000mt capacity
Rail & truck receiving capacity 700 mt/hr
6 seperate bulk storage
102,000 square feet storage
10 fertilizer bins 200 mt/ea
300 mt/hr blending leg

Wymark Crop Inputs

Shed size: 140 x 60 = 8,400 square feet
10 fertilizer bins 200 mt/ea
2 overhead loadout bins 50 mt/ea
1 forklift
7 offices
1 board room

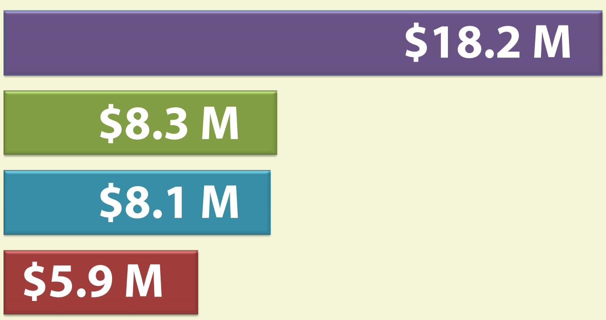
SWT HIGHLIGHTED AS THE 34TH TOP COMPANY IN SASKATCHEWAN!

SASKATCHEWAN'S TOP 100 COMPANIES OF 2015

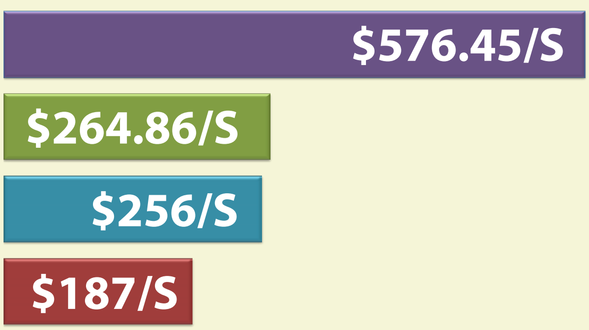
2014	2015	COMPANY	CEO/PRESIDENT	SASKATCHEWAN EMPLOYEES	CITY	MAJOR SHAREHOLDERS
31	**30**	Areva Resources Canada Inc.	Vincent Martin	500	Saskatoon	AREVA S.A. (France)
35	**31**	Pioneer Co-operative Association Ltd.	Stuart Dyrland	482	Swift Current	Member Owned
30	32	Thyssen Mining Construction of Canada Ltd.	Rene Scheepers	504	Regina	Privately Held
34	**33**	Saskatchewan Indian Gaming Authority (SIGA)	Zane Hansen	1,930	Saskatoon	74 First Nations of Saskatchewan
38	**34**	South West Terminal Ltd.	Monty Reich	57	Gull Lake	Widely Held
41	**35**	Sherwood Co-operative Association Ltd.	Troy Verboom	565	Regina	Member Owned

TOTAL GROSS REVENUE

COMPREHENSIVE INCOME

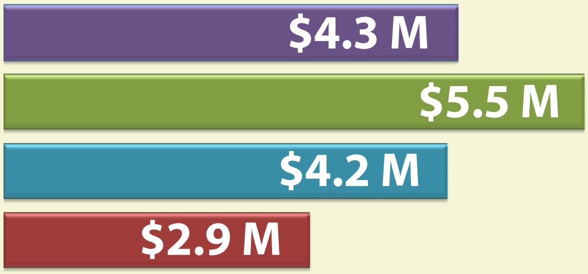


EARNINGS PER SHARE

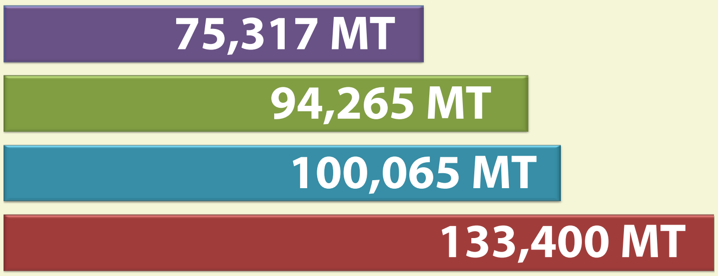


CROP PROTECTION SALES

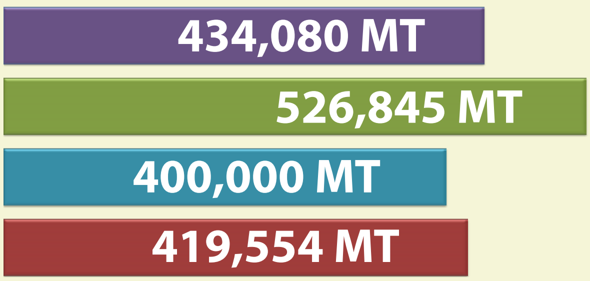
SEED SALES



FERTILIZER SHIPPED



GRAIN SHIPPED



FINANCIALS & MANAGEMENT DISCUSSION ANALYSIS

Consolidated financial statements

South West Terminal Ltd.

March 31, 2016 and 2015

Independent auditors' report

To the Shareholders of
South West Terminal Ltd.

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of **South West Terminal Ltd.**, which comprise the consolidated statements of financial position as at March 31, 2016 and 2015, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **South West Terminal Ltd.** as at March 31, 2016 and 2015 and its consolidated statements of income and comprehensive income, changes in equity and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP
Chartered Professional Accountants

Saskatoon, Saskatchewan
June 21, 2016

South West Terminal Ltd.

Consolidated statements of financial position

As at March 31

	2016 $	2015 $
Assets		
Current		
Cash	595,005	2,066,005
Cash held in trust [note 4]	-	1,082,826
Accounts receivable [note 5]	26,881,845	22,772,072
Inventories [note 6]	54,475,268	39,596,907
Prepaid expenses	1,269,305	5,541,036
Income taxes receivable	1,975,321	-
Risk management assets	687,146	731,926
Total current assets	85,883,890	71,790,772
Long-term investments [note 7]	203,800	203,800
Property, plant and equipment [note 8]	44,807,096	29,719,922
Goodwill	140,000	140,000
	131,034,786	101,854,494
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities [note 10]	33,890,235	21,573,719
Customer deposits	8,772,263	4,318,386
Income taxes payable	-	2,439,401
Current portion of long-term debt [note 11]	7,998,614	7,212,023
Current portion of obligation under finance lease [note 12]	470,278	-
Total current liabilities	51,131,390	35,543,529
Long-term debt [note 11]	13,652,459	9,389,797
Risk management liabilities [note 11]	448,099	-
Obligation under finance lease [note 12]	2,257,437	-
Deferred income taxes [note 13]	1,361,093	1,054,091
Deferred revenue [note 14]	425,014	452,226
Total liabilities	69,275,492	46,439,643
Contingencies [note 19]		
Shareholders' equity		
Share capital [note 16]	182,690	182,690
Retained earnings	61,576,604	55,232,161
Total shareholders' equity	61,759,294	55,414,851
	131,034,786	101,854,494

See accompanying notes

On behalf of the Board

Director　　　　Director

South West Terminal Ltd.

Consolidated statements of income and comprehensive income

Years ended March 31

	2016 $	2015 $
Revenue [notes 20 & 21]	**324,207,927**	247,966,354
Cost of sales [notes 20 & 21]	**300,188,039**	213,123,578
Gross profit	**24,019,888**	34,842,776
Expenses		
Depreciation	**2,148,405**	1,344,342
General and administrative	**9,529,115**	8,843,524
Interest on long-term debt and bank indebtedness	**644,125**	468,621
Unrealized loss on risk management liabilities	**448,099**	-
	12,769,744	10,656,487
Income before income taxes	**11,250,144**	24,186,289
Income taxes [note 17]		
Current	**2,578,020**	5,875,315
Deferred	**307,001**	104,805
	2,885,021	5,980,120
Total income and comprehensive income	**8,365,123**	18,206,169
Basic and diluted income per share [note 18]	**264.86**	576.45

See accompanying notes

South West Terminal Ltd.

Consolidated statements of changes in equity

Years ended March 31

	Share capital $	Retained earnings $	Total $
Balance, March 31, 2014	182,690	38,162,980	**38,345,670**
Total income and comprehensive income	-	18,206,169	**18,206,169**
Dividends	-	(1,136,988)	**(1,136,988)**
Balance, March 31, 2015	182,690	55,232,161	**55,414,851**
Total income and comprehensive income	-	8,365,123	**8,365,123**
Dividends	-	(2,020,680)	**(2,020,680)**
Balance, March 31, 2016	**182,690**	**61,576,604**	**61,759,294**

See accompanying notes

South West Terminal Ltd.

Consolidated statements of cash flows

Years ended March 31

	2016	2015
	$	$
Operating activities		
Total income and comprehensive income	**8,365,123**	18,206,169
Items not affecting cash:		
Depreciation	**2,148,405**	1,344,342
Deferred income taxes	**307,001**	104,805
Loss on long-term investments	**-**	148,864
Unrealized loss on risk management liabilities	**448,099**	-
Net change in non-cash working capital balances:		
Accounts receivable	**(4,109,773)**	(2,250,001)
Inventories	**(14,878,361)**	(8,636,558)
Prepaid expenses	**4,271,731**	(82,590)
Income taxes receivable	**(1,975,321)**	-
Risk management assets	**44,780**	672,206
Accounts payable and accrued liabilities	**12,316,518**	4,523,190
Customer deposits	**4,453,877**	120,877
Income taxes payable	**(2,439,401)**	1,067,432
Deferred revenue	**(27,212)**	(39,214)
Cash provided by operating activities	**8,925,466**	15,179,522
Investing activities		
Redemption of shares of long-term investments	**-**	252,000
Return of capital on long-term investments	**-**	437,636
Purchase of property, plant and equipment	**(17,285,431)**	(12,687,866)
Proceeds on disposal of property, plant and equipment	**49,850**	58,565
Cash held in trust as construction holdbacks	**1,082,826**	(1,082,826)
Cash used in investing activities	**(16,152,755)**	(13,022,491)
Financing activities		
Bank indebtedness	**-**	(8,972,155)
Repayment of long-term debt	**(1,923,565)**	(950,790)
Proceeds from issuance of term debt	**6,972,819**	10,968,907
Issuance of finance lease obligation	**2,727,715**	-
Dividends	**(2,020,680)**	(1,136,988)
Cash provided by (used in) financing activities	**5,756,289**	(91,026)
Net (decrease) increase in cash during the year	**(1,471,000)**	2,066,005
Cash, beginning of year	**2,066,005**	-
Cash, end of year	**595,005**	2,066,005
Supplemental disclosure of cash flow information		
Interest paid	**623,355**	456,693
Income taxes paid	**6,992,742**	4,242,139

See accompanying notes

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

1. Nature of operations

South West Terminal Ltd. (the "Company") was incorporated on April 4, 1994, under the laws of the Province of Saskatchewan, for the purpose of developing, constructing and operating an inland grain terminal near Antelope, Saskatchewan. Grain operations commenced in February 1997. The company also sells crop inputs from its locations at Antelope, Hazenmore, Shaunavon, Wymark and Cabri, Saskatchewan.

The Company is subject to an agreement with Cargill Limited ("Cargill"). Pursuant to this 25 year investment and operating agreement, Cargill has a first right to purchase all of the Company's grain destined to British Columbia and to the Port of Thunder Bay. The Company also agrees to consult with Cargill on certain operational issues.

The Company is located in the province of Saskatchewan, Canada with its head office in Antelope, Saskatchewan and postal address as Box 719, Gull Lake, Saskatchewan, Canada, S0N 1A0.

2. Basis of preparation and statement of compliance

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

The consolidated financial statements were approved by the Board of Directors on June 21, 2016.

The consolidated financial statements have been prepared on the historical cost basis, except for certain items, which are measured at fair value, as explained in note 24 and grain inventories, which are also measured at fair value.

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

3. Summary of significant accounting policies

The significant policies are detailed as follows:

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, as well as the Company's share of the assets, liabilities, revenues and expenses arising jointly or otherwise from the Company’s jointly-controlled operations. All such amounts are measured in accordance with the terms of the joint operations, which are in proportion to the Company’s interest in the jointly-controlled assets and operations. The Company has a 50% joint operation in respect to a car loading facility at Glenbain, Saskatchewan, where each venturer receives a share of the output from the assets and bears an agreed upon share of the expenses rather than deriving returns from an interest in a separate entity.

Cash and cash equivalents

Cash consists of cash and cash equivalents on hand. Cash equivalents are highly liquid investments with a maturity of less than three months.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

3. Summary of significant accounting policies (continued)

Accounts receivable

Accounts receivable is reviewed for collectability at each reporting period. If it is determined that it is probable that the receivable will not be collected, an allowance for doubtful accounts is recognized and bad debt expense is charged to income.

Inventories

Grain inventories are commodity inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. Commodity inventories are measured at their fair value, less handling costs and any applicable freight, with changes to fair value recognized in cost of sales. Fair value is determined using exchange traded prices. Crop input inventories are valued at the lower of cost or net realizable value determined using the weighted average method. The Company may enter into derivative contracts such as grain purchase and sales contracts, with the objective of managing exposure to adverse price movements in agricultural commodities. The unrealized gains and losses for grain purchase and sales contracts are recorded in inventories and recognized in income in the period in which they occur.

Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is provided at the following annual rates:

Buildings	25 years Straight-line
Cleaners	20% Declining balance
Computer hardware and software	3 years Straight-line
Entrance roads	20 years Straight-line
Equipment	25% Declining balance
Office furniture and equipment	15% Declining balance
Plant equipment	5% Declining balance
Railway siding	20 years Straight-line
Terminal	40 years Straight-line
Vehicles	30% Declining balance

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

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

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

3. Summary of significant accounting policies (continued)

Goodwill

Goodwill is recorded at cost, less any accumulated impairment losses. Goodwill represents the excess of the purchase price over the net identifiable assets acquired as part of the purchase of the Hazenmore, Saskatchewan crop inputs business.

Goodwill is not amortized, but reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the Company's cash generating unit that is expected to benefit from the synergies of the combination. This cash generating unit is the crop inputs facility located in Hazenmore, Saskatchewan. Impairment is tested annually or more frequently when there is indication that the unit may be impaired. At March 31, 2016, there is no impairment on this goodwill.

If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then reduces the carrying amount of the other assets of the unit on a pro rata basis. An impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Revenue recognition

Revenue from the sale of grain is recognized when the significant risks and rewards of ownership transfer to the customer, it is probable that the economic benefits associated with the transaction will flow to the Company, the costs incurred in respect of the transaction can be measured reliably and the amount of revenue can be measured reliably.

Revenue from crop input sales are recognized at the time of delivery to the customer.

Cost of sales

Cost of sales includes net realized and unrealized gains and losses on commodity contracts and exchanged-traded derivatives.

Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of a qualifying asset are added to the cost of these assets. Other borrowing costs are expensed.

Taxation

Income tax expense is comprised of current and deferred taxes, which are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

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

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

3. Summary of significant accounting policies (continued)

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

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

Financial asset impairment

The Company assesses financial assets, other than those recorded at fair value through profit or loss ("FVTPL"), for indicators of impairment at each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the asset have been negatively affected.

Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, default or delinquency, disappearance of an active market for the security or prolonged decline in fair value of a security.

Impairment losses on financial assets carried at amortized cost are measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced directly by the impairment loss for all financial assets. When available for sale financial assets are considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent recovery in the fair value of an impaired available for sale equity instrument is recognized in other comprehensive income.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the reporting date. Carrying values of non-monetary assets and liabilities measured at historical cost reflect the exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value are translated to Canadian dollars at the exchange rate at the date the fair value was determined. Translation gains and losses are included in profit or loss.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

3. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments are initially recognized at fair value. Transaction costs are included in the initial carrying amount, except in the case of financial assets and liabilities classified as FVTPL, in which case they are expensed as incurred. The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the instruments were acquired and the item's characteristics. The Company uses settlement date accounting for regular way contracts when recording financial asset transactions. All financial instruments are classified as FVTPL, loans and receivables, held to maturity, available for sale or other financial liabilities.

Fair value through profit or loss
Financial assets and financial liabilities are classified as FVTPL when the instrument is held for trading or is initially designated as FVTPL. Financial instruments which are purchased for the intention of generating profits in the near term are classified as held for trading. Financial assets and financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized immediately in profit or loss.

The Company has classified grain purchase and sales contracts which are included in inventories, risk management assets and risk management liabilities as FVTPL.

Loans and receivables
Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment which approximates fair value. Interest income, calculated using the effective interest rate method, is recognized in profit or loss.

The Company has classified accounts receivable and income taxes receivable as loans and receivables.

Held to maturity
Held to maturity financial assets are non-derivative assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold until the maturity date and which are not designated as another category. Held to maturity financial assets are subsequently measured at amortized cost using the effective interest method, less any impairment, with interest revenue recognized in profit or loss.

The Company has no financial assets classified as held to maturity.

Available for sale
Available for sale financial assets are non-derivative financial assets that are not classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income until the financial instrument is disposed of or impaired, at which time it is recognized in earnings.

The Company has classified long-term investments as available for sale.

Other financial liabilities
Other financial liabilities are those liabilities which have not been classified as FVTPL. Other financial liabilities are subsequently measured at amortized cost using the effective interest method which approximates fair value. Interest expense, calculated using the effective interest rate method, is recognized in profit and loss.

The company has classified the following financial liabilities as other financial liabilities: accounts payable and accrued liabilities, customer deposits, income taxes payable, obligation under finance lease and long-term debt.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

3. Summary of significant accounting policies (continued)

Fair value hierarchy

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction on the measurement date. Fair values are determined by reference to quoted bid or asking prices in an active market. In the absence of an active market, the Company determines fair value based on internal or external valuation models, such as discounted cash flow analysis or using observable market based inputs (bid and ask price) for instruments with similar characteristics and risk profiles.

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

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

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

The fair value of the Company's privately held available for sale securities, as described in note 6, has not been disclosed due to the unavailability of a quoted market price in an active market.

Use of estimates and judgments

The preparation of the consolidated financial statements required management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements, as well as, the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant uses of judgments and estimates are as follows:
(a) Allowance for doubtful accounts and sales adjustments
The Company must make an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration individual customer credit worthiness, current economic and agronomic trends, as well as past experience. If future collections differ from estimates, future earnings would be affected.

(b) Inventory valuation
The Company measures its crop input inventories at the lower of cost and net realizable value. Given that the determination of net realizable value requires management to make estimates with respect to the selling value, costs to make the sale and, in some cases, the cost of completion, there is a certain level of measurement uncertainty. The Company measures its grain inventories at fair value, less handling costs and any applicable freight, with changes to fair value recognized in cost of sales. For grain inventories, management uses the assistance of a third party expert to determine the grade of each commodity of grain inventory. Management also uses the assistance of a third party expert to determine the quantity of fertilizer in the Antelope, Saskatchewan fertilizer facility. Assumptions are made based on past experience and actual grading standards may be subject to change. Estimates and assumptions are also required in determination of the fair values of commodity inventories. As such, actual inventory values realized may differ from estimated carrying amounts.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

3. Summary of significant accounting policies (continued)

Use of estimates and judgments (continued)

(c) Property, plant and equipment
As part of the capitalization process, management must estimate the expected period of benefit over which capitalized costs should be depreciated. The considerations for estimated useful lives include the timing of technological obsolescence and competitive pressures, as well as historical experience and internal business plans for the projected use of related assets. Given that the expected period of benefit is an estimate, future results could be affected if management's current assessment of its property, plant and equipment's useful lives differs from actual performance.

(d) Impairment of goodwill
Goodwill is assessed for impairment at least annually. The impairment analysis for goodwill requires management to make estimations of future cash flows, terminal values and an assessment of the long-term pre-tax discount rate to be applied to those cash flows.

Adoption of new accounting policies

The IASB has issued new and amended IFRS standards under Part I of the CPA handbook which became effective for the Company during the year. The significant changes to the standards are as follows:

• IFRS 8 Operating Segments: The amendments are applied retrospectively and clarify that an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The amendments also clarify that the reconciliation of segment assets to total asset is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities

The Company has not applied the aggregation criteria in IFRS 8.12. The Company has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in note 21 in this period's financial statements.

Future accounting and reporting changes

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

• IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all these aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting and replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that only has two classifications; amortized cost and fair value. The IASB has decided the effective date for IFRS 9 will be January 1, 2018. Entities may still early adopt the finalized provisions of IFRS 9. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

• IFRS 15 Revenue from Contracts with Customers: was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

3. Summary of significant accounting policies (continued)

Future accounting and reporting changes (continued)

• IFRS 16 Leases: In January 2016, the IASB issued IFRS 16 leases, which replaces the current IFRS guidance on leases. Under current guidance, lessees are required to determine if the lease is a finance or operating lease, based on specified criteria. Finance leases are recognized on the Statement of Financial Position, while operating leases are not. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for virtually all lease contracts. An optional exemption to not recognize certain short-term leases and leases of low value can be applied by lessees. For lessors, the accounting remains essentially unchanged.

• Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Company has not yet determined the effect, if any, of the above standards on the consolidated financial statements.

4. Cash held in trust

Cash held in trust consists of cash that is restricted as a result of holdbacks on the construction of the Antelope, Saskatchewan fertilizer facility.

5. Accounts receivable

	2016 $	2015 $
Trade and other receivables	**26,920,764**	22,784,018
Allowance for doubtful accounts	**(38,919)**	(346,637)
Accounts receivable relating to grain held on account of the Canadian Wheat Board	**-**	334,691
	26,881,845	22,772,072
Current	**25,287,040**	21,579,624
30 days	**857,455**	69,645
60 days	**-**	247,802
Over 90 days	**776,269**	1,220,638
Allowance for doubtful accounts	**(38,919)**	(345,637)
	26,881,845	22,772,072

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

5. Accounts receivable (continued)

The Company's receivables have been pledged as security for the operating line of credit under the general security agreement as disclosed in note 9.

6. Inventories

	2016 $	2015 $
Grain	**11,602,658**	14,905,436
Crop inputs	**42,872,610**	24,691,471
	54,475,268	39,596,907

The amount of inventory expensed and included in cost of sales is $277,311,984 (2015 - $195,172,478).

The Company's inventories have been pledged as security for the operating line of credit under the general security agreement as disclosed in note 9.

7. Long-term investments

	2016 $	2015 $
Admiral Grain Co. Inc.	**3,800**	3,800
Great Western Railway Ltd.	**100,000**	100,000
Great Sandhills Railway Ltd.	**100,000**	100,000
	203,800	203,800

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

8. Property, plant and equipment

Cost:

	Balance at March 31, 2014 $	Additions and disposals $	Balance at March 31, 2015 $	Additions, disposals and transfers $	Balance at March 31, 2016 $
Buildings	8,003,405	7,904,161	15,907,566	5,139,826	**21,047,392**
Cleaners	1,290,450	19,137	1,309,587	320,388	**1,629,975**
Computer hardware and software	626,407	340,640	967,047	199,699	**1,166,746**
Entrance roads	598,270	355,786	954,056	39,535	**993,591**
Equipment	2,456,606	302,986	2,759,592	1,124,750	**3,884,342**
Office furniture and equipment	296,670	27,465	324,135	351,643	**675,778**
Plant equipment	7,110,523	3,436,756	10,547,279	5,521,241	**16,068,520**
Railway siding	2,843,961	113,621	2,957,582	4,132,400	**7,089,982**
Terminal	5,914,938	5,165	5,920,103	5,493	**5,925,596**
Vehicles	1,020,321	33,263	1,053,584	188,247	**1,241,831**
	30,161,551	12,538,980	42,700,531	17,023,222	**59,723,753**
Land	285,624	-	285,624	125,386	**411,010**
	30,447,175	12,538,980	42,986,155	17,148,608	**60,134,763**

Accumulated depreciation:

	Balance at March 31, 2014 $	Depreciation and disposals $	Balance at March 31, 2015 $	Depreciation and disposals $	Balance at March 31, 2016 $
Buildings	1,753,545	307,277	2,060,822	533,390	**2,594,212**
Cleaners	1,055,992	48,906	1,104,898	72,977	**1,177,875**
Computer hardware and software	567,877	92,885	660,762	164,871	**825,633**
Entrance roads	225,601	34,460	260,061	48,691	**308,752**
Equipment	1,924,306	154,386	2,078,692	284,262	**2,362,954**
Office furniture and equipment	166,472	20,943	187,415	36,240	**223,655**
Plant equipment	1,952,317	289,986	2,242,303	492,527	**2,734,830**
Railway siding	1,151,692	142,857	1,294,549	249,007	**1,543,556**
Terminal	2,429,654	147,922	2,577,576	148,071	**2,725,647**
Vehicles	784,756	14,399	799,155	31,398	**830,553**
	12,012,212	1,254,021	13,266,233	2,061,434	**15,327,667**

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

8. Property, plant and equipment (continued)

Carrying amount:

	March 31, 2016 $	March 31, 2015 $
Buildings	**18,453,180**	13,846,744
Cleaners	**452,100**	204,689
Computer hardware and software	**341,113**	306,285
Entrance roads	**684,839**	693,995
Equipment	**1,521,388**	680,900
Office furniture and equipment	**452,123**	136,720
Plant equipment	**13,333,690**	8,304,976
Railway	**5,546,426**	1,663,033
Terminal	**3,199,949**	3,342,527
Vehicles	**411,278**	254,429
	44,396,086	29,434,298
Land	**411,010**	285,624
	44,807,096	29,719,922

Included in property, plant and equipment is $3,528,116 (2015 - $11,286,104) of construction in progress assets that are not in use at year end. These assets are related to a new crop inputs facility in Wymark, Saskatchewan. No amortization has been taken on these assets. The project is nearly complete with no significant additional expenditures expected.

9. Bank indebtedness

The margined RBC operating line of credit has an authorized limit of $17,000,000 (2015 - $17,000,000), bears interest at prime and is secured by accounts receivable, inventory and a general security agreement. The operating line of credit was unused at year end.

At March 31, 2016, the RBC prime lending rate was 2.70% (2015 - 2.85%).

10. Accounts payable and accrued liabilities

	2016 $	2015 $
Accrued and other liabilities	**23,370,968**	15,643,344
Trade accounts payable	**10,519,267**	5,930,375
	33,890,235	21,573,719

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

11. Long-term debt

	2016 $	2015 $
Scotiabank Bankers' Acceptance, with interest at Scotiabank prime, repayable in blended monthly instalments of $66,667, secured by a general security agreement, due September 2016	**6,533,200**	5,484,454
4.5% Farm Credit Canada term loan, repayable in blended monthly instalments of $71,773, secured by land and a general security agreement, due August 2019	**6,517,827**	5,484,454
4.8% Farm Credit Canada term loan, repayable in blended monthly instalments of $63,142, secured by land and a general security agreement, due July 2023	**4,679,099**	5,200,906
4.5% Farm Credit Canada term loan, repayable in blended monthly instalments of $42,505, secured by land and a general security agreement, due November 2025	**3,920,947**	-
Farm Credit Canada term loan, with interest at Farm Credit Canada variable rate, plus .3%, repayable in blended monthly instalments of $40,120, secured by land and a general security agreement, repaid during the year	**-**	432,006
	21,651,073	16,601,820
Less current portion	**7,998,614**	7,212,023
	13,652,459	9,389,797

At March 31, 2016, the Scotiabank prime lending rate was 2.70% (2015 - 2.85%).

During the year, the Company entered into interest rate swaps to manage risk over the variable portion of the term loans. A risk management liability of $448,099 (2015 - $nil) has been recorded at year end representing the fair value of the swaps.

Estimated principal repayments are as follows:

	$
2017	7,998,614
2018	1,534,441
2019	1,606,723
2020	1,682,414
2021	1,761,672

12. Obligation under finance lease

	2016 $	2015 $
Scotiabank finance lease contract, repayable in blended monthly instalments of $44,007, plus GST and interest at the thirty day Scotiabank Bankers' Acceptance rate, plus 1.60%, maturing March 2021, secured by office building and equipment with a net book value of $2,610,365	**2,727,715**	-
Less current portion	**470,278**	-
	2,257,437	-

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

12. Obligation under finance lease (continued)

Minimum lease payments required to meet the finance lease obligations in each of the next five years are as follows:

	$
2017	587,326
2018	574,283
2019	561,239
2020	548,195
2021	535,151
Purchase options available	272,771
Total future minimum lease payments	3,078,965
Less amount representing interest	351,250
Present value of minimum net lease payments	2,727,715
Less current portion	470,278
	2,257,437

At March 31, 2016, the thirty day Scotiabank Bankers' Acceptance rate was 0.87%.

Interest paid on the obligation under finance lease for the year ending March 31, 2016 was $nil.

13. Deferred income taxes

Deferred income tax liabilities are made up of the timing differences on the following items:

	2016 $	**2015** $
Property, plant and equipment	**1,456,147**	1,069,244
Goodwill	**25,933**	25,040
Risk management liabilities	**(120,987)**	-
Investments	**-**	(40,193)
	1,361,093	1,054,091

The amount of deferred income tax liabilities incurred and included in income taxes is $307,001 (2015 - $104,805).

14. Deferred revenue

The Company has entered into agreements for the lease of space in the grain storage facility. The funds which have been received are being amortized to income over the primary lease term of 15 years, commencing on April 1, 2012, the commencement date of the lease term.

15. Interest in joint operations

Beginning in 2009, the Company entered into a joint operation with respect to a car loading facility in Glenbain, Saskatchewan. The Company's proportionate interest in the joint operation, included in these consolidated financial statements, are the following:

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

15. Interest in joint operations (continued)

	March 31, 2016 $	March 31, 2015 $
a) Share of joint operation's statement of financial position		
Buildings at cost, less accumulated amortization of $23,230 (2015 - $19,903)	**43,307**	46,634
Equipment at cost, less accumulated amortization of $38,275 (2015 - $31,055)	**21,662**	28,882
b) Share of joint operations revenue and expenses		
Revenue	**32,900**	52,038
Expenses	**26,555**	13,625

16. Share capital

Authorized an unlimited number of
Class A 10% voting, non-cumulative, non-participating, preferred shares, convertible to Class B
Class B voting, participating, common shares
Class C non-voting, participating, common shares

Issued

	2016 $	2015 $
17,583 Class B shares	**17,406**	17,406
14,000 Class C shares	**165,284**	165,284
	182,690	182,690

During the year, the Company paid dividends on the Class B and Class C shares in the amount of $63.98 (2015 - $36.00) per share for a total of $2,020,680 (2015 - $1,136,988) by way of cash payment.

17. Income taxes

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

	2016 $	2015 $
	27.00%	27.00%
Anticipated income tax	**3,037,539**	6,530,298
Tax effect of the following:		
Saskatchewan manufacturing and processing profits tax reduction	**(174,689)**	(394,190)
Non-taxable dividends	**-**	(169,371)
Non-deductible expenses	**14,335**	11,710
Other	**7,836**	1,673
Income tax expense	**2,885,021**	5,980,120

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

18. Basic and diluted income per share

The basic and dilutive earnings per share have been calculated using the weighted average number of common shares outstanding during the year. Since there are no items of a dilutive nature, the basic and dilutive share amounts are the same. The total basic and dilutive weighted average number of common shares for March 31, 2016, is 31,583 (2015 - 31,583).

			2016
	Total income and comprehensive income $	**Weighted average common shares**	**Income per share** $
Basic and dilutive	8,365,123	31,583	264.86

			2015
	Total income and comprehensive income $	**Weighted average common shares**	**Income per share** $
Basic and dilutive	18,206,169	31,583	576.45

19. Contingencies

At year end, the Company held 2,581 (2015 - 3,501) tonnes of grain inventory, with a value of $818,812 (2015 - $870,458), on behalf of area producers. The Company is contingently liable for the value of this grain. This grain is not included in the Company's inventory.

20. Related party transactions

The remuneration of the Company’s directors and key management personnel during the period is comprised of salaries, board honoraria and short-term benefits with a value of $979,757 (2015 - $672,018).

During the year, services with a value of $126,691 (2015 - $146,310) were expensed in these consolidated financial statements that related to services provided to the Company by the Board of Directors. Also, the Company purchased 18,365 (2015 - 18,642) tonnes of grain from directors with an aggregate value of $6,402,335 (2015 - $4,112,714) and directors purchased crop inputs in the amount of $4,147,528 (2015 - $3,172,137).

During the year, the Company made sales of Non-Board grain and received other income from Cargill, a shareholder, in the amount of $78,561,631 (2015 - $32,811,359) and made purchases of product and services in the amount of $49,196,396 (2015 - $37,193,068) from Cargill. Included in accounts payable is $5,724,284 (2015 - $9,112,396) due to Cargill.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

21. Segment information

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

a) Grain handling
This segment consists of the buying, selling, cleaning and blending of grain.
b) Crop inputs
This segment consists of sales of fertilizer, crop protection products, seed and seed treatments.

2016

	Grain handling	Crop inputs	Total
	$	$	$
Revenues	213,885,227	110,322,700	324,207,927
Cost of sales	201,304,685	98,883,354	300,188,039
Gross profit	12,580,542	11,439,346	24,019,888
Depreciation	(1,140,077)	(1,008,328)	(2,148,405)
General and administrative			(9,529,114)
Interest on long-term debt and bank indebtedness			(644,125)
Unrealized loss on risk management liabilities			(448,099)
Income taxes			(2,885,021)
Net income			8,365,123
Net property, plant and equipment additions	5,527,616	11,707,965	17,235,581
Total assets	49,092,588	81,942,198	131,034,786
Property, plant and equipment	17,630,115	27,176,981	44,807,096
Goodwill and intangible assets	-	140,000	140,000

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

21. Segment information (continued)

2015

	Grain handling $	Crop inputs $	Total $
Revenues	149,983,600	97,982,754	247,966,354
Cost of sales	126,826,472	86,297,106	213,123,578
Gross profit	23,157,128	11,685,648	34,842,776
Depreciation	(900,482)	(443,860)	(1,344,342)
General and administrative			(8,864,470)
Interest on long-term debt and bank indebtedness			(447,675)
Income taxes			(5,980,120)
Net income			18,206,169
Net property, plant and equipment additions	1,538,617	11,090,684	12,629,301
Total assets	43,362,848	58,491,646	101,854,494
Property, plant and equipment	13,242,576	16,477,346	29,719,922
Goodwill and intangible assets	-	140,000	140,000

22. Capital management

The Company's objectives when managing capital are to continue as a going concern, to protect its ability to meet its ongoing liabilities and to maximize returns for shareholders over the long-term. Protecting the ability to pay current and future liabilities requires the following internally-determined capital guidelines based on risk management policies. For its own purposes, the Company defines capital as the sum of bank indebtedness, mortgages and loans payable and shareholders' equity.

The capital structure at March 31, 2016, is as follows:

	2016 $	2015 $
Current portion of long-term debt	**7,998,614**	7,212,023
Current portion of obligation under finance lease	**470,278**	-
Long-term debt	**13,652,459**	9,389,797
Obligation under finance lease	**2,257,437**	-
Shareholders' equity	**61,759,294**	55,414,851
	86,138,082	72,016,671

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

22. Capital management (continued)

In managing the Company's capital, adjustments may be made to the capital structure in light of external influences such as changing economic conditions, externally-imposed capital requirements or the presence of opportunities for further development. The amount to be paid to shareholders and the nature of financing of new assets are determinations made within the risk-based guidelines established.

There were no changes in the Company's approach to capital management during the year. As of March 31, 2016, the Company complied with all financial covenants and externally-imposed capital requirements.

23. Financial instrument risk management

Credit risk

The risk of financial loss in the event of failure of a customer or counterparty to a financial instrument to meet its contractual obligation is defined as credit risk. The Company's principal exposure to credit risk is in respect to its accounts receivable.

In order to reduce the risk on its accounts receivable, the Company has adopted credit policies which mandate performing an ongoing credit review of all its customers and establishing allowances for bad debts when the amounts are not collectible.

The allowance for bad debt at March 31, 2016, was $38,919 (2015 - $345,637).

Currency risk

The Company is exposed to currency risk as a certain portion of sales and expenses are incurred in U.S. dollars resulting in U.S. denominated accounts receivable and accounts payable. These balances are, therefore, subject to gains and losses due to fluctuations in that currency in relation to the Canadian dollar.

The Company entered into foreign exchange derivative contracts to mitigate these risks. This strategy minimizes the impact of U.S. dollar fluctuations on the operating results of the Company. In 2016, a net foreign exchange (loss) gain of ($813,136) (2015 - $29,762) was recognized in total comprehensive income.

Interest rate risk

Changes in the future cash flows of financial instruments and the possibility the Company will be unable to refinance existing debt with similar terms represents interest rate risk. The Company's principal exposure to interest rate risk is with respect to its long-term debt and obligation under finance lease, which bear interest at fixed and floating interest rates.

A 1% change in interest rates relating to the long-term debt and obligation under finance lease of the Company would increase or decrease interest expense by approximately $244,000 (2015 - $166,000). Exposure to interest rate risk is managed through normal operating and financing activities. The Company has entered into interest rate swaps. The swaps convert a portion of the interest expense on long-term debt and obligation under finance lease from a floating to a fixed rate of interest. At March 31, 2016, there were two interest rate swaps outstanding, for a total notional amount of $9,158,557 (2015 - $nil), with fixed interest rates of 2.48% and 1.25%.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

23. Financial instrument risk management (continued)

Commodity price risk

Commodity price risk is the risk that the value of inventory and related contracts will fluctuate due to changes in market prices. A change in price and quality will have a direct affect on the value of inventory. As a grain handling facility, the Company has significant exposure to changes in various agricultural commodity prices. Prices for these commodities are volatile and are influenced by numerous factors beyond the Company's control, such as supply and demand fundamentals, as well as the weather. A substantial change in prices may affect the Company's comprehensive income and operating cash flows, if not properly managed.

To mitigate the risks associated with the fluctuations in the market price for agricultural commodities, the Company has a policy that Non-Board grains be hedged, when possible, through the use of purchase and sales contracts. The Company may employ derivative commodity instruments (primarily futures and options) for the purpose of managing its exposure to commodity price risk, however, they are not used for speculative or trading purposes. The Company's actual exposure to these price risks is constantly changing as the Company's inventories and commodity contracts change. The fair value of derivative contracts outstanding at March 31, 2016, resulted in the recognition of a risk management asset of $687,146 (2015 - $731,926).

Liquidity risk

Liquidity risk arises from the possibility the Company will not be able to meet its financial debt obligations as they become due or obtain financing as needed to pursue expansionary projects. Actual and forecasted cash flows are continuously monitored to reduce this liquidity risk. Management judges the future cash flows of the Company as adequate to make payments as they become contractually due and existing banking arrangements are able to support the growth goals of the Company. The Company estimates the following repayment of financial liabilities:

Less than 3 months	$ 26,713,003
3 - 12 months	$ 24,418,387
1 - 5 years	$ 18,144,102

24. Classification and fair value of financial instruments and inventories

The following methods and assumptions were used to estimate fair values of financial instruments and inventories:

Accounts receivable and income taxes receivable are classified as loans and receivables and are recognized at amortized cost which approximates fair value. Accounts payable and accrued liabilities, customer deposits, obligation under finance lease and long-term debt are classified as other financial liabilities and are initially recognized at fair value and subsequently carried at amortized cost which approximates fair value.

Long-term investments of privately held available for sale equity securities, as described in note 3, are classified as available for sale.

Risk management assets and liabilities consist of exchange-traded derivatives. They are classified as held for trading and the fair value is based on closing market quotations.

Inventories include grain inventories, which as described in note 3 are fair valued. Grain inventories include both commodity inventories and grain purchase and sales contracts which are forward derivatives. They are classified as held for trading and the fair value is based on observable inputs other than quoted prices.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

24. Classification and fair value of financial instruments and inventories (continued)

Fair value hierarchy
The Company classifies its financial assets and liabilities at fair value using a fair value hierarchy made up of three levels, according to the inputs used in making the measurements.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in an active market that the Company can access at the measurement date.

Level 2: This category includes measurements that use, either directly or indirectly, observable inputs other than quoted prices included in level 1. Derivative instruments in this category are measured using models or other standard valuation techniques using observable market data.

Level 3: The measurements in this category depend upon inputs that are less observable, not available, or for which observable inputs do not justify most of the instruments' fair value.

The following tables present the assets and liabilities measured at fair value classified by the fair value hierarchy.

March 31, 2016

	Level 1 $	Level 2 $	Level 3 $
Accounts receivable	-	**26,881,845**	-
Grain inventories	-	**10,697,381**	-
Grain purchase and sales contracts	-	**905,277**	-
Income taxes receivable	-	**1,975,231**	-
Risk management assets	**687,146**	-	-
Accounts payable and accrued liabilities	-	**33,890,235**	-
Customer deposits	-	**8,772,263**	-
Risk management liabilities	-	**448,099**	-
Obligation under finance lease	-	**2,727,715**	-
Long-term debt	-	**21,651,073**	-

March 31, 2015

	Level 1 $	Level 2 $	Level 3 $
Accounts receivable	-	22,772,072	-
Grain inventories	-	7,954,930	-
Grain purchase and sales contracts	-	6,950,506	-
Risk management assets	731,926	-	-
Accounts payable and accrued liabilities	-	21,573,719	-
Customer deposits	-	4,318,386	-
Income taxes payable	-	2,439,401	-
Long-term debt	-	16,601,820	-

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2016 and 2015

25. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

South West Terminal Ltd.

Annual Management Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") was prepared as of June 21, 2016 and is based on the accompanying financial information that has been prepared using International Financial Reporting Standards ("IFRS"). The reader should note the following is intended to explain the operating results and financial position of South West Terminal Ltd. (the "Company" or "SWT") for the year ended March 31, 2016 and draw comparisons to previous fiscal years. More detailed explanations of certain technical issues may be found in the March 31, 2016 consolidated financial statements and accompanying notes which, in any case, should be read in conjunction with this MD&A.

1. Business Segment Performance

1.1 Grain Handling

Grain Handling For the years ended March 31 ($thousands – except tonnes)	**2016**	2015	Better (Worse)
Total Revenue	**213,885**	149,984	63,901
Cost of Sales	**201,305**	126,826	(74,478)
Gross Profit	**12,580**	23,157	(10,577)
Operating, General and Administrative Expenses	**5,191**	5,040	(151)
Total Grain Shipped (tonnes)	**526,845**	434,080	92,765
Grain Shipped to the CWB (tonnes)	**0**	5,152	(5,152)
Grain Shipped to Other Markets (tonnes)	**526,845**	428,928	97,917

Total revenue from grain handling for the year ended March 31, 2016 was $213,885,227, an increase of $63,901,627 compared with the prior year. The Company shipped just over 526,000 metric tonnes at higher average prices than the previous fiscal year, resulting in higher grain revenue overall. The average price of grain shipped was $405/MT as compared to $350/MT a year ago. Strong world prices in the durum market contributed to the increase in average value as well as the large increase in total grain shipped. Most other grain prices stayed relatively steady or decreased slightly in comparison to last year. Shipments of grain to the former Canadian Wheat Board ("CWB") were eliminated as the CWB is no longer a marketing agent and is now a grain-handling competitor on the prairies.

Total grain shipped grew by 92,765 metric tonnes as durum led the way with a large increase of 83,585 metric tonnes, with other commodities experiencing either modest gains or losses. The southwest Saskatchewan growing region had varying yields with many areas of the southwest experiencing average to below average yields. The crop quality was stronger than the previous year's, which attributed to the high demand from the world market and very liquid movement throughout the winter. With the consistent shipping opportunities throughout the year, the Company continued to aggressively approach all areas in the southwest, which contributed significantly to the tonnage increase achieved in the past fiscal year. However, the strong movement of commodities contributed to a very competitive marketplace as margins came down to a more normal range as compared to the previous fiscal year where margins were the highest the industry has ever experienced.

The Company's record grain shipments total of 526,845 metric tonnes surpassed expectations, with the budget for the year pegged at 400,000 metric tonnes. The Company worked with its relationships within the industry to secure adequate empty trains to keep up with the aggressive pursuit of sales opportunities and to maximize future capacity utilization.

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Grain handling expenses rose as the variable costs one would normally associate with increased volume such as utilities, overtime and maintenance grew. These cost increases saw SWT's grain handling expenses grow to $5,191,092 in 2016 from $5,039,738 in the prior year.

1.2 Crop Inputs

Crop Inputs For the years ended March 31 ($thousands)	**2016**	2015	Better (Worse)
Total Revenue	**110,323**	97,983	12,340
Cost of Sales	**98,883**	86,297	(12,586)
Gross Profit	**11,440**	11,686	(246)
Operating, general and administrative expenses	**4,338**	3,825	(513)
Operating Highlights			
Seed Sales	**5,529**	4,360	1,169
Crop Nutrient Sales	**57,978**	44,180	13,798
Crop Protection Sales	**46,419**	38,946	7,473

Total revenue from crop inputs for the year was $110,322,700, an increase of $12,339,946 compared with the previous fiscal year. SWT's crop inputs division experienced significant revenue growth on the back of a 31% increase in year over year fertilizer sales. The new fertilizer warehouse attributed to the extensive growth in sales of fertilizer as the Company was able to meet the demand of the farmer. As well, the ability to reach all corners of the southwest with limited risk of running out of ingredients was a major factor. The fertilizer warehouse facility was able to take advantage of the continuing trend of increased fertilizer use and was instrumental in the Company's asset growth in Wymark.

Sales of crop nutrients increased by $13,797,893 from $44,179,792 to $57,977,685 in the 2015-2016 fiscal year with the increased asset capacity and slight increases in fertilizer prices. Once again, the large increase in crop nutrients is largely attributed to the Company's expanded infrastructure, greater market penetration and increased demand in SWT's market area. Volume grew from 75,317 tonnes a year ago to 94,267 tonnes in fiscal 2015-2016, and the average price per tonne sold also increased to $615.04 from $586.58, making revenue substantially higher overall.

Seed sales increased in the most recently completed fiscal year, with revenue totalling $5,529,170, representing an increase of $1,169,374 versus the results achieved in fiscal 2014-2015. Bulk seed sales had minimal impact to the sales, while bagged canola seed continued to increase. Planting canola in southwest Saskatchewan continues to grow in acreage as cropping patterns evolve and seed technologies continue to develop to withstand the hot, dry soil conditions.

Sales of crop protection products increased by $7,472,403 to $46,418,700 for the year ended March 31, 2016 compared to the prior year. The increase in crop protection revenue was to a great extent due to competitive pricing and increased sales in products such as glyphosate. While the Company maintained strong metrics such as gross profit and margin, it passed a sizeable portion of the cost savings onto its customers in an effort to remain competitive and to expand the footprint in the marketplace. The construction of the asset in Wymark increased the Company's presence in an area, which was never serviced in the past.

The expenses associated with crop inputs increased to $4,338,022 in 2016, from $3,825,357 in the prior year moving in stride with the growth in sales and the additional staffing and training requirements to operate the new fertilizer warehouse. Higher staffing costs associated with the Company's expanded operations network and its continued push to increase its presence in the market played a part in the rise in expenses related to crop inputs. As well, providing its customers the option to charge purchases to their credit cards contributed to the transaction processing costs the Company experienced in fiscal 2015-2016. This flexibility is, however, greatly enjoyed by SWT's customers and is likely to stay as part of the

Company's service offering due to the additional advantage of shifting the credit risk associated with crop inputs sales.

2. Consolidated Financial Results

2.1 Gross Profit and Net Revenue from Services, EBITDA and EBIT

Selected Consolidated Financial Information For the years March 31 ($thousands – except per share figures)	**2016**	2015	2014
Total Revenue	**324,208**	247,966	221,024
Operating, general and administrative expenses	**9,529**	8,843	7,118
EBITDA	**14,043**	25,999	13,735
Depreciation and amortization	**2,148**	1,344	1,307
EBIT	**11,894**	24,655	12,427
Interest on long-term debt	**644**	469	374
Provision for income taxes			
Current portion	**2,578**	5,875	2,775
Future portion	**307**	105	248
Income for the period	**8,365**	18,206	9,030
Earnings per Share	**264.86**	576.45	285.92
Total Assets	**131,035**	101,854	77,962
Total Long-Term Financial Liabilities	**16,358**	9,390	5,637
Dividend Declared			
Class B	**63.98**	36.00	30.00
Class C	**63.98**	36.00	30.00

Total sales and services revenue increased by $76,241,573 in the twelve months ended March 31, 2016. Growth was predominantly representative of SWT's ability to capitalize upon the market opportunities presented to it in the past year. The Company emphasized a competitive offering to customers in its market area and positioned itself as a reliable originator of commodities and in a year that was extremely competitive along the supply chain. This increase is significant in comparison to last year's year over year growth of $26,941,883, that result was bolstered by higher prices for durum, the increased tonnage shipped and the extensive growth in the crop inputs business.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") were $14,042,675 in the year most recently completed as compared to $25,999,252 in the year prior. Of particular note was the drop in grain gross margins to 5.9% versus the 15.4% that was achieved previously, aided by no backlogs in the supply chain and a very competitive marketplace. Crop inputs margins inched higher as the Company was able to extract additional value out of fertilizer stocks which were purchased in advance; the product mix sold in the year ended March 31, 2016 was also more conducive to higher margin levels.

Total operating, general and administrative expenses increased by $685,591 in 2016 as the costs associated with higher sales volumes crept upward; increased level of staffing, transaction processing fees and utility costs all with respect to the large increase in volumes of all products. Plant and equipment maintenance and repair expenditures also increased as the Company continued to invest in the longevity of its assets over the past year.

In fiscal year 2015-2016, earnings before interest and taxes ("EBIT") were $11,894,270 compared to $24,654,910 previously, and decreased for the reasons described above. Depreciation and amortization expense increased significantly, by $804,063 in the fiscal year ended March 31, 2016 compared with the same period in the year prior – the increase largely owing to the capital improvements and additions which were made as scheduled for in the Company's capital plan.

2.2 Interest Expenses

Interest Expenses For the years March 31 ($thousands)	**2016**	2015	Better (Worse)
Interest on:			
Long-term debt	**623**	417	(206)
Short-term debt	**21**	31	10

Short-term interest costs for the 2015-2016 fiscal year decreased, as the Company was less reliant upon this type of financing; it was able to employ its working capital more readily to finance purchases which were shorter-term in nature, having built up a sizeable working capital balance over the last few years. Interest on short-term debt amounted to $21,543 in the year just completed.

Long-term interest costs increased compared to the prior year as the Company continues to add fixed assets; $17,285,431 in net property, plant and equipment was added in the fiscal year ended March 31, 2016, made up primarily of the fertilizer warehouse and blending facility, rail track expansion, new office and Wymark facility. This resulted in rising interest costs due to the associated financing. Interest costs are expected to rise at least in the near future as SWT looks for new opportunities to add to its market presence and makes a full 12 months' worth of interest payments against currently outstanding loan balances.

2.3 Net Income for the Period

Net income of $8,365,123 ($264.86 earnings per share) in the year just completed was below the previous year's total of $18,206,169 ($576.45 earnings per share) by $9,841,046, for the reasons described above.

2.4 Summary of Semi-Annual Financial Information

Selected Semi-Annual Financial Information For the six month periods ended ($thousands – except per share amounts)	**March 31, 2016 (unaudited)**	September 30, 2015 (unaudited)	March 31, 2015 (unaudited)	September 30, 2014 (unaudited)
Total Revenue	**168,794**	155,414	128,914	119,052
Net Income	**2,122**	6,243	9,608	8,598
Earnings per share	**67.19**	197.67	304.21	272.24

The Company's grain handling revenue follows the fluctuation associated with market demand and the ability to match product quality with available market sales. The fluctuations in demand for grain are typically consistent throughout the year limited only by sales opportunities, world product demand and rail capacity.

SWT works closely with growers and end users in order to execute sales. There are many moving parts in executing a sale, as the Company must be able to secure the grain from growers in a timely fashion to minimize price exposure and must have grain in the elevator in order to meet the shipping requirements of the railroad and end user. The Company continues to make a concerted effort to buy grain from growers in order to meet and exceed sales targets. The Company has secured relationships with end users who are continually looking for the quality SWT is able to provide in its shipments.

Crop inputs revenue has traditionally followed the seasonal activities associated with grain production in Saskatchewan. However, the Company is experiencing sales of crop inputs throughout the entire year as chemical, seed and fertilizer are now being purchased by producers when the market suggests it is advantageous for the producer to purchase product. Fertilizer sales are seeing significant increases in the months of August and September as producers take advantage of lower early season pricing and ease of logistics.

3. Liquidity and Capital Resources

3.1 Sources and Uses

3.1.1 Working Capital

Current assets reached $85,883,890 at March 31, 2016, amounting to an increase of $14,093,118 when compared to March 31, 2015, with crop input inventories and income tax receivable accounting for most of the difference. Also contributing to the increase is trade receivables that grew to $26,881,845 from $22,772,072 a year earlier on the back of grain and crop inputs sales volume increases. Seed inventory decreased just over $1,510,023 due to the early seeding season of the 2015-16 crops. In total, crop inputs inventories grew $18,181,139 to $42,872,610 at March 31, 2016, while physical grain inventory dropped to $11,602,658 from $14,905,436 a year ago. Less inventories of grains – principally durum, and the timing of grain shipments in and around the year-end date versus the prior year were the primary factors contributing to lower grain inventory values as of March 31, 2016.

Current liabilities were $51,131,390 at the end of the year, up $15,587,861 from the previous fiscal year on a large increase in accounts payable and customer deposits. Customer deposits increase of $4,453,877 is directly related to farmers having a long cash position and needing to prepay for crop inputs. For income tax receivable in 2015-2016 there was $1,975,321 because of overpayments and in 2014-2015 there was a payable of $2,439,401 because of underpayments. Accrued accounts payable include producers' grain on contracts that has been priced, delivered and included in inventory, this amount was greater than the prior year by $2,727,624 and the Company held an increase in liability of deferred cash settlements of just over $5,000,000. Seasonal borrowing against the Company's margined line of credit with the Royal Bank of Canada ("RBC") peaked at the start of this fiscal year and then decreased to nil at the year end, resulting in the year over year cash decrease of $1,411,000. In regards to taxes payable, the instalments SWT made throughout fiscal 2014-2015 were less than what the Company owed by $2,439,401; the same cannot be said for the current year with an overpaid balance of $1,975,321 in federal and provincial taxes.

In the end, working capital was $34,752,500 at the end of the 2015-2016 fiscal year compared to $36,247,243 at March 31 of the prior year.

3.1.2 Cash Flow

Cash flow from continuing operations was $8,925,466 for the year ended March 31, 2016 versus $15,179,522 the previous year. Offsetting the cash, which was used to increase accounts receivable, and inventories, is the operating cash generated from net income and the increase in accounts payable discussed in the working capital section above. The lower net income resulted in lower cash flow as compared to the year previous.

3.1.3 Capital Requirements

The main focus of new projects undertaken in the year most recently concluded was the fertilizer warehouse and blending facility located at Gull Lake. The completed facility has a storage capacity of 47,000 metric tonnes. The fertilizer facility was fully operational at the end of the first quarter of the 2015-16 fiscal year. Additionally the Company undertook some other large capital projects such as a $4,200,000 rail track expansion, and a $2,600,000 office expansion. As well, the Company completed

80% of a new crop inputs facility near the town of Wymark at projected cost of $3,500,000, to be financed out of working capital. The Company has locked in rates for the fertilizer warehouse with a fixed rate of 2.48% and floating BA from Scotiabank, also a locked in 10-year fixed term loan with FCC at a rate of 4.5% with the total project coming in just over $16,000,000. The Company also has a 5-year finance lease with a fixed rate of 1.25% and floating BA from Scotiabank for the Office building and a 4.5% fixed term loan over 10 years on the rail project with FCC. The Company also maintains a base capital program. In the current fiscal year the Company expended $892,071 of the budgeted $947,500 set aside to continue upgrading the Company's various grain and crop inputs facilities. In the prior year the Company expended $1,465,569 for such capital maintenance. In the 2015-2016 fiscal year, the Company's repairs and maintenance expenditures amounted to $371,769, an increase of $83,461 over the prior year. Significant funds were expended in the maintenance of the Company's grain assets amounting to an increase of $34,442 over fiscal 2014-2015, while the dollar value of work undertaken on SWT's principal crop input assets actually declined in the most recent fiscal year. Capital maintenance expenditures and repairs and maintenance expenses made by the Company are typically financed via working capital.

The Company's operating capital requirements generally fluctuate throughout the year as SWT's borrowings typically peak in late fall as supplier program payments become due for crop inputs inventory, with customer payments typically delayed until harvest is completed. In the most recent year, the Company's borrowings against its RBC line of credit peaked in February 2016 at $5,425,161.

SWT finances its grain and crop input inventories via a secured operating line through RBC. The Company also enters into commercial transactions with grain customers wherein a percentage of the value of grain shipped (typically 80-90%) is advanced to SWT; reconciliation occurs when unload weights are established and a final determination of grade is reached. Certain crop protection products are also eligible for supplier rebills, easing the immediate capital requirements of the Company. Product is "rebilled" when it remains in SWT's inventory but payment by SWT is deferred and pricing left unfixed until the following season, at which time it is paid for by SWT once reported as part of the Company's sales. These programs provide an incentive to retailers like SWT to maintain adequate stock levels and are one example of the push marketing strategies employed by wholesalers and manufacturers to increase relative market share.

3.2 Off-Balance Sheet Obligations and Arrangements

As of the date of this MD&A the Company had no off-balance sheet arrangements.

3.3 Outstanding Share Data

The issued and outstanding shares of SWT Terminal at March 31, 2016 are summarized in the following table.

Class of Shares	Number of issued and outstanding Shares
B	17,583
C	14,000

4. Semi-Annual Results

The Company's total revenues from sales and services for the semi-annual period ended March 31, 2016 increased to $168,793,927, as compared to the $128,914,657 in the previous year. While increased fertilizer tonnes (51,892 tonnes in the last 6 months of the prior fiscal year compared to 70,642 tonnes in the last 6 months of this fiscal year) may have contributed to the crop inputs increase in revenue to some degree, SWT managed a respectable $53,841,256 in sales, an increase over the six months ended March 31, 2015 of $8,790,059. On the grain side, the Company improved shipping more tonnes in the October to March window than it did in the prior year, shipping 290,327 in the six month period ended March 31, 2016 versus 213,056 in the comparison year; grain revenue for the period increased, jumping from $83,863,460 to $101,354,803.

Total operating, general and administrative expenses for the semi-annual period ended March 31, 2016 increased $239,301 on rising staffing, utilities and transactions costs.

Net income of $2,098,000 for the six-month period ended March 31, 2016 was $7,510,000 less than the $9,608,000 in the same period of the previous fiscal year. Lower margins on grain transactions conducted by the Company in the period produced this result.

5. Risks

The Company faces certain risks, including weather, commodity price, credit and foreign currency. SWT manages these risks through a combination of insurance, derivative financial instruments and operating practices.

5.1 Weather Risk

The effects of weather conditions in a relatively confined geographic market area present a significant operating risk for the Company. Poor weather conditions can have a materially adverse effect on both grain handling volume and crop inputs sales.

5.2 Crop Input Price Risk

The Company also faces the risk that market prices decline between the time the Company purchases crop input inventories and the time it sells these inventories, resulting in reduced or negative margins.

5.3 Credit Risk

The risk of financial loss in the event of failure of a customer or counterparty to a financial instrument to meet its contractual obligation is defined as credit risk. The Company’s principal exposure to credit risk is in respect to its accounts receivable.

In order to reduce the risk on its accounts receivable, the Company has adopted credit policies which mandate performing an ongoing review of all its customers and establishing allowances for bad debts when the amounts are not collectible.

The allowance for bad debt at March 31, 2016 was $38,919 (2015 - $345,637).

5.4 Currency Risk

The Company is exposed to currency risk as a certain portion of sales and expenses are incurred in U.S. dollars resulting in U.S. denominated accounts receivable and accounts payable. These balances are therefore subject to gains and losses due to fluctuations in that currency in relation to the Canadian dollar.

The Company entered into foreign exchange derivative contracts to mitigate these risks. This strategy minimizes the impact of U.S. dollar fluctuations on the operating results of the Company. In 2016, a net foreign exchange loss of $813,136 (2014 - $29,762 gain) was recognized in income.

5.5 Interest Rate Risk

Changes in the future cash flows of financial instruments and the possibility the Company will be unable to refinance existing debt with similar terms represent interest rate risk. SWT's principal exposure to interest rate risk is with respect to its bank indebtedness and long-term debt, which bear interest at fixed and floating interest rates.

A 1% change in interest rates relating to the bank indebtedness and long-term debt of the Company would increase or decrease interest expense by approximately $244,000 (2015 - $166,000). Exposure to interest rate risk is managed through normal operating and financing activities as of March 31, 2016 The Company has entered into interest rate swaps. The swaps convert a portion of the interest expense on long-term debt and obligation under finance lease from a floating to a fixed rate of interest. At March 31, 2016, there were two interest rate swaps outstanding, for a total notional amount of $9,158,557 (2015 - $nil), with fixed interest rates of 2.48% and 1.25%.

5.6 Commodity Price Risk

Commodity price risk is the risk the value of inventory and related contracts will fluctuate due to changes in market prices. A change in price and quality will have a direct effect on the value of inventory. As a grain handing facility, SWT has significant exposure to change in various agricultural commodity prices. Prices for these commodities are volatile and are influenced by numerous factors beyond the Company's control, such as supply and demand fundamentals, as well as the weather. A substantial change in prices may affect the Company's comprehensive income and operating cash flows.

To mitigate the risk associated with fluctuations in the market prices for agricultural commodities, SWT has a policy that grains be hedged when possible through the use of purchase and sales contracts. The Company may employ derivative commodity instruments (primarily futures and options) for the purpose of managing its exposure to commodity price risk - however they are not used for speculative or trading purposes. The Company's actual exposure to these price risks is constantly changing as the Company's inventories and commodity contracts change. The fair value of derivative contracts outstanding at March 31, 2016 resulted in the recognition of a risk management asset of $687,146 (2015 - $731,926).

5.7 Liquidity Risk

Liquidity risk arises from the possibility the Company will not be able to meet its financial debt obligations as they become due or obtain financing as needed to pursue expansionary projects. Actual and forecasted cash flows are continuously monitored to reduce this liquidity risk. Management judges the future cash flows of the Company as adequate to make payments as they become contractually due and existing banking arrangements are able to support the growth goals of the Company.

5.8 Rail Performance Risk

The provision of rail performance represents a significant operating risk to the Company. Shipping delays due to poor rail service will reduce overall grain shipments and may result in contract delay penalties and vessel demurrage charged to the Company. Poor rail performance could have materially adverse effect on the grain operations and the financial results of the Company.

6. Other Matters

6.1 Related Party Transactions

Cargill has $1,400,000 invested in SWT by purchasing 14,000 Class C, non-voting shares. The Company has entered into a 25-year grain handling agreement with Cargill which will terminate in January, 2022. The terms of that grain handling agreement are confidential. In the fiscal year ended March 31, 2016, SWT made sales of grain to and received other income from Cargill amounting to $78,561,631 (2015 - $32,811,359); purchases of products and services in the amount of $49,196,396 (2015 - $37,193,068) were also made from Cargill in the same period.

The Company purchased 18,365 (2015 -18,642) tonnes of grain from directors with an aggregate value of $6,402,335 (2015 - $4,112,714) and directors purchased crop inputs in the amount of $4,147,528 (2015 - $3,172,137), at commercial rates and terms.

6.2 Financial Instrument Classification and Fair Value

The following methods and assumptions were used to estimate fair values of financial instruments:

Accounts receivable are classified as loans and receivables and are recognized at amortized cost. Accounts payable and accrued liabilities, income taxes payable and long-term debt are classified as other financial liabilities and are initially recognized at fair value and subsequently carried at amortized cost.

Long-term investments of privately held available for sale equity securities are classified as available for sale.

Risk management assets consist of exchange-traded derivatives. They are classified as held for trading and the fair value is based on closing market quotations.

Fair value hierarchy

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

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in an active market the Company can access at the measurement date. Included in this level are risk management assets.

Level 2: This category includes measurements that use, either directly or indirectly, observable inputs other than quoted prices included in level 1. Derivative instruments in this category are measured using models or other standard valuation techniques using observable market data.

Level 3: The measurements in this category depend upon inputs that are less observable, not available, or for which observable inputs do not justify most of the instruments' fair value. SWT has no level 3 financial instruments.

7. Use of Non-IFRS Terms

The EBIT and EBITDA data provided in this MD&A is intended to provide further insight with respect to the Company's financial results and to supplement its information on earnings (losses) as determined in under IFRS. Such measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

8. Forward-looking Information

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

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

Additional information relating to the Company is available on SEDAR at www.sedar.com.

COMMUNITY INVOLVEMENT

SWT & FCC WOULD LIKE TO THANK EVERYONE INVOLVED FOR CONTRIBUTING IN DRIVE AWAY HUNGER 2015

SWT PRODUCERS RAISED **$16705.15** THROUGH THEIR SUPPORT OF THE 2015 DRIVE AWAY HUNGER CAMPAIGN!

SWT MATCHED THIS AMOUNT FOR A TOTAL OF:

$33,410.30

ALL PROCEEDS ARE DONATED TO THE SWIFT CURRENT SALVATION ARMY FOOD BANK.

Farm Credit Canada

COMMUNITY INVOLVEMENT

ABBEY BUSINESS AND COMMUNITY CENTRE
ABBEY CURLING CLUB
ALLIANCE CHURCH
AUTMN HOUSE
BRAYDON COBURN HOCKEY SCHOOL
CABRI GUSTY WALK
CABRI REGIONAL PARK
CANADIAN DIABETIES
CLIMAX COMMUNITY
COMMUNITY SAFETY NET
CROHN'S AND COLITIS CANADA
DUCK UNLIMITED GULL LAKE
DUCKS UNLIMITED CABRI
EASTEND ATOM HOCKEY
EASTEND RINK
FRENCHMAN RIVER GOSPEL JAM
FRONTIER FLYERS
GUL LAKE SKATING CLUB
GULL LAKE & DISTRICT COMPLEX
GULL LAKE / PONTIEX MIDGET HOCKEY
GULL LAKE AND DISTRICT CURLING CO-OP
GULL LAKE GREYHOUNDS HOCKEY TEAM
JR.SUNDOGS VOLLEYBALL
KINCAID FIRE DEPARTMENT
KINCAID SPORTS ASSOCIATION
KREATIVE KIDS GOLF TOURNAMENT
LAC PELLETIER GOLF COURSE
LYCEUM THEATRE
MANKOTA RODEO
MS SOCIETY - MS WALK
RED RUNNERS
ROCK SOLID
ROYAL CANADIAN LEGION
SASK LANDING GOL AND COUNTRY CLUB
SHAUNAVON HIGH RODEO
SHAUNAVON LADIES NIGHT OUT
SHAUNAVON MINOR HOCKEY
SHAUNAVON RODEO
SHAUNAVON SENIOR BADGERS
SHAUNAVON VOLLEYBALL
SHAYLYNDA HUGHES (SHAUNAVON SCHOLARSHIP)
SHRINE CIRCUS
SOUTH WEST CYCLONES
SPCA
SWIFT CURRENT BRONCOS
SWIFT CURRENT COMP HIGH SCHOOL
SWIFT CURRENT FLAG FOOTBALL
SWIFT CURRENT KIDSPORT
SWIFT CURRENT LEGIONNAIRES
SWIFT CURRENT PEE WEE BRONCOS
SWIFT CURRENT SALVATION ARMY
TEAM DUTTON
TOMPKINS SKATING RINK

SCHOLARSHIPS

The scholarship program has been available for students since 2000. This scholarship is available to graduates in the Gull Lake and Hazlet area. Students who plan on attending post secondary school for Agriculture or Business are eligible. Students that wish to extend their education into one of these fields are encouraged to send a resume along with their academic achievements for consideration.

Each resume is considered by school and staff memberes. Once the decision is made, the student will be rewarded with a $1,000 scholarship.

The 2016 SWT Scholarship was awarded to:
Kayla Kirwan

The Gratton Murray Memorial Scholarship is a scholarship in memory of one of the founding members of South West Terminal Ltd. - Gratton Murray.

This scholarship is available to graduates in the Shaunavon area. Students who plan on attending post secondary school for Agriculture or Business are eligible. Students that wish to extend their education into one of these fields are encouraged to send a resume along with their academic achievements for consideration.

Each resume is considered by school and staff memberes. Once the decision is made, the student will be rewarded with a $1,000 scholarship.

The 2016 Gratton Murray Memorial Scholarship was awarded to:
Brock Larson

The CameronWilliamson Memorial Scholarship is a scholarship in memory of the South West Terminal Ltd. Cabri Location Manager- Cameron Williamson.

This is the third year the scholarship program was made available to the graduates in the Cabri and Abbey area. Students who plan on attending post secondary school for Agriculture or Business are eligible. Students that wish to extend their education into one of these fields are encouraged to send a resume along with their academic achievements for consideration.

Each resume is considered by school and staff memberes. Once the decision is made, the student will be rewarded with a $1,000 scholarship.

The 2016 Cameron Williamson Memorial Scholarship was awarded to:
$500 Jessica Hammel
$500 Cole Hartman

SWT

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