SWT

2017 ANNUAL REPORT

Investing in your farm and your community.

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MESSAGE FROM THE C

Dear stakeholder,

In 2017/18 we developed a strategic plan to ensure that we take the next steps to continue growing the footprint of the business and to maximize our existing assets through customer-focused initiatives – by leveraging the trusted SWT brand.

With many challenges in the world, from political to environmental, one thing remains a constant – a growing population and a continued need to ensure a stable supply of food. Southern Saskatchewan is by far the best place in the world to provide for the world's growing population (yes...we are slightly biased here!).

Continued investment into our grain terminal and our crop inputs facilities will ensure that our customers receive the most modern and efficient service of any provider in the area. As well, an investment into technology is required to take advantage of big data and to stay current with the internet of things. The ag business has only just begun to touch the possibilities of technology in agriculture.

Market conditions continue to put pressure on margins not only in our industry, but even more significantly, on farm. We are very cognizant of this reality and will strategically focus to operate as efficiently as possible without affecting our level of service. As well, we understand the importance of being agile enough to adapt to change.

We believe that growing the business and increasing our customer value is the best way to create value for our shareholders and to ensure a successful future for the customers and employees of SWT.

Performance of 2017/18

The "drought" we experienced during the growing season of 2017, left us all with a reminder of the immense effects our environment has on the ag business. However, it also showed us the massive change that has occurred over the past 10 years with farming practices on the prairies. Some of the best quality of crop that our region has seen in over 25 years was produced. Miraculously, yields remained at levels experienced over the past 5 years.

Sales of crop protection products dropped significantly by 26.8% year over year due to the lack of fungicide and herbicide requirements in a hot and dry growing season. However, fertilizer sales grew as most farmers continued to see long term results in nutrient applications with their crops. Tonnages reached an all-time high of 114,000MT, a 12% increase over the previous year.

After coming off one of the most challenging crop conditions and quality in 2016, the 2017 harvest resulted in one of the best quality crops ever experienced. On top of that, little to no rain in much of SWT's marketplace, resulted in average yields for all cereal, pulse crops and oilseeds. Grain shipments reached 512,000MT, an increase of 10% over the previous year.

Commodity prices began their downward spiral in the fall of 2017. After coming off a few years of all-time highs, the world market became over supplied as compared to the consumer demand. This is especially true in the pulse markets where lentil prices were almost cut in half from where they were a year ago. Fortunately, SWT's commodity mix doesn't rely heavily on the pulse crops. Core commodities like durum and canola maintained a strong position in the marketplace. Even with values declining, SWT was well positioned throughout the year to be competitive and keep consistent railcar movement throughout the year.

Having said all of that, net earnings after tax were $10.2M, a 51.5% increase over last year's results. Dividends were declared in June of 2017 and December of 2017 accumulating to $0.95/share providing an approximate 2.9% dividend yield. In terms of our balance sheet, the current ratio has jumped to 1.84:1 versus 1.77:1 a year ago and the debt to equity ratio has been reduced to 0.84:1 from 1.02:1 this time last year. All in all, very positive results.

E GENERAL MANAGER

Key developments in 2017/18

In May of 2018, we began the transformation of the Hazenmore crop inputs location from a small chemical shed and an outdated manual batch blender into the most modern and efficient crop inputs retail in western Canada. After the success in the design of our Wymark facility, our team used most of the ideas and fine-tuned them into a completely refurbished site for our Hazenmore and area customers. By January of 2018, our team was fully operating their new facility. Not only can we blend out fertilizer for super b's in less than 22 minutes, but the chemical shed and office were designed to accommodate coffee crowds and large customer event meetings. A small town must!!

We are also very delighted that we were able to participate in many charity and community events throughout southwest Saskatchewan. Our communities are an integral part of the success of our business and we don't take that for granted. We will continue to invest into the communities in which we live and do business in.

In conclusion

The last year was a very challenging but rewarding year for our team. Our staff was very engaged and focused through a year that could have been far worse than the strong result that ensued.

We have a clear path into the next five years, as our determination to continue to grow and succeed is unconditional. By executing on our strategy to grow and expand our market reach, we will serve our customers better and compete more efficiently and effectively in the coming years. We will listen closely to our customers and will continue to adapt and anticipate their needs and the market's needs.

On behalf of the entire Board of Directors, I would like to thank all of our employees for their hard work and dedication that they put in year over year. Not only that, but they have been more than willing to adapt and embrace the changes that have occurred in our industry. And finally, a huge "thank-you" to our customers, shareholders and other stakeholders that have trusted us to be a partner in your business. It is truly appreciated.

Best Regards,

Monty Reich
General Manager

KEY CAPITAL INVESTMENT

The Ag Retail business continues to evolve in Western Canada as independents and line companies look to increase their foothold on the prairies and new larger businesses look to lock up more assets in the profitable Western Canadian marketplace. SWT continues to establish its ever-growing network of retail outlets in southwest Saskatchewan in an effort to caputre opportunities in the marketplace. SWT identified a problem and an opportunity with its Hazenmore facility, as the old site was in need of a major renovation for its increasing customer base. With the business reaching its full capacity well over three years ago, the ability to service the customer base from the existing aging infrastructure became much too difficult and did not align with SWT's strategic direction. To aid in that existing business growth, Hazenmore engaged in a reconstruction to execute the business at a high level.

old Hazenmore site

new Hazenmore site

TOP 100

SASKATCHEWAN'S TOP 100 COMPANIES OF 2017

2016	2017	COMPANY	DATE OF FORMATION	CEO/ PRESIDENT	SASKATCHEWAN EMPLOYEES	CITY	MAJOR SHAREHOLDERS
25	25	South West Terminal Ltd.	1994	Monty Reich	68	Gull Lake	Publicly Traded

SWT IS PROUD TO REMAIN ONE OF SASKATCHEWAN'S TOP 25 COMPANIES IN 2017.

BOARD OF DIRECTORS

Rhett Allison	Chairman
Brett Meinert	Vice-Chairman
Rhonda Undseth	President
Roland Monette	Vice - President
Daren Caswell	Secretary
Jim Opperman	Director
David Millie	Director
Derek Tremere	Director
Jason McNabb	Director
Cameron Funk	Cargill
Nicole Isfjord	Cargill

EXECUTIVE COMMITTEE

Daren Caswell
Jason McNabb
Rhett Allison
Rhonda Undseth
Roland Monette

POLICY, GOVERNANCE AND NOMINATING COMMITTEE

Brett Meinert
Cameron Funk
Rhonda Undseth

AUDIT AND FINANCE COMMITTEE

Jim Opperman
Roland Monette
Nicole Isfjord

RISK COMMITTEE

David Millie
Derek Tremere

ITAC REP

Brett Meinert

SENIOR MANAGEMENT TEAM

Monty Reich	General Manager
Jeff Kirwan	Crop Inputs Manager
Robert Chapman	Grain Manager
Genna Luchenski	Controller

GRAIN SALES & PROCUREMENT

Warren Mareschal	Sales Manager
Ron Cote	Farm Marketing Rep - Antelope
Kent Mickleborough	Farm Marketing Rep - Antelope
Arlene Daniel	Administrative Assistant
Julia Stanford	Administrative Assistant
Denise Anderson	Grain Merchandising Coordinator
Layton Getz	Country Grain Merchant
Heather Camphaug	Farm Marketing Rep - Cabri
Amanda McIntosh	Farm Marketing Rep - Cabri
Stacey Breen	Farm Marketing Rep/Supervisor Shaunavon
Stacey Gleim	Farm Marketing Rep - Shaunavon

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
Paul Mandel	Plant Operator
Jordan Waldner	Plant Operator
Nickolas Bitz	Plant Operator
Eric Logan	Plant Operator
Andrew Bredahl	Plant Operator

OUR STAFF

HEALTH & SAFETY

Becky Graham	E,H&S Coordinator

MAINTENANCE

Tyler Flynn	Maintenance Operator
Devon Leduc	Maintenance Operator

FINANCE & HUMAN RESOURCES

Shannon Armstrong	Human Resource Coordinator
Jasmin Tian	Lead Accountant
Kashif Jamali	Senior Accountant
Pam Gedny	Accounting & Software Assistant

CROP INPUTS - ANTELOPE

Dave Elviss	Customer Relationship Manager
Cheyenne Arntsen	Operations Manager
Rachelle Foster	Sales & Agronomy Manager
Corinna Gibson	Logistics Coordinator
Carol Meister	Senior Agrologist

FERTILIZER WAREHOUSE

Justin Isherwood	Plant Manager
Dalton Ferris	Plant Operator
Mark Syer	Plant Operator
Travis Retazlaff	Plant Operator

CROP INPUTS - GULL LAKE

Ryan Service	Farm Marketing Rep/Supervisor
Joel Butts	Facility Assistant
Maegan Melvin	Agronomist
Dayton Potter	Farm Marketing Rep
Renee Olson	Administrative Assistant

CROP INPUTS - HAZENMORE

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

CROP INPUTS - SHAUNAVON

Danny Fehr	Farm Marketing Rep
Craig Bymoen	Facility Assistant
Damon Wilkins	Facility Assistant
Kathy Wilkins	Administrative Assistant

CROP INPUTS - CABRI

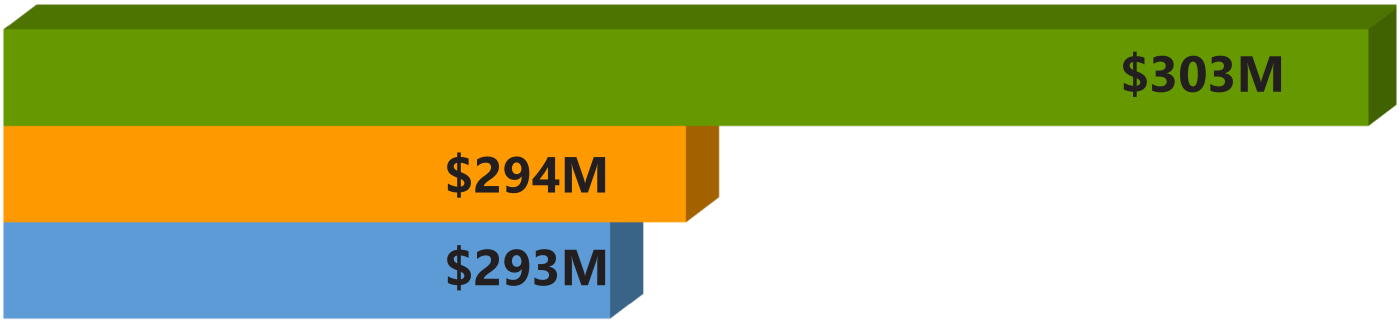
Al Ward	Farm Marketing Rep/Supervisor
Phillip Gossard	Farm Marketing Rep
Barry McCuigan	Facility Assistant
Jim Wallis	Facility Assistant
Kara Shaw	Administrative Assistant
Bonnie Haley	Administrative Assistant
Moriah Andrews	Agronomist

CROP INPUTS - WYMARK

Justin Senicar	Farm Marketing Rep
Kali Heard	Farm Marketing Rep
Gregory Gillis	Facility Assistant

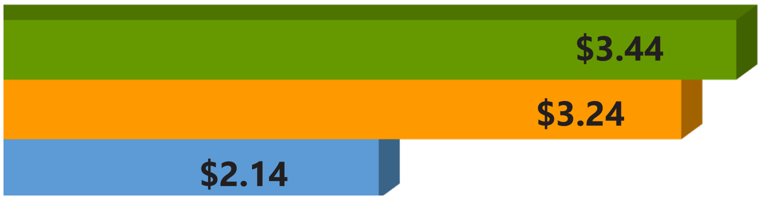
2017/2018 BUDGET | 2017/2018 ACTUAL | 2016/2017 ACTUAL

TOTAL GROSS REVENUE

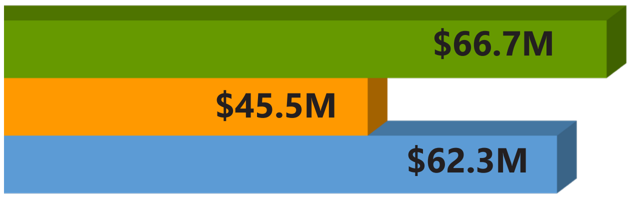


COMPREHENSIVE INCOME

EARNINGS PER SHARE



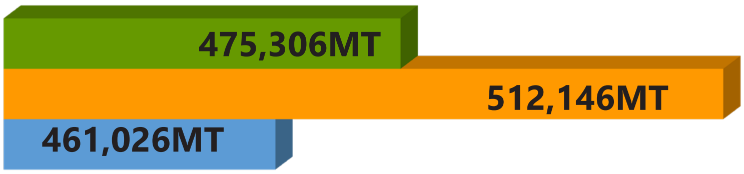
CROP PROTECTION SALES



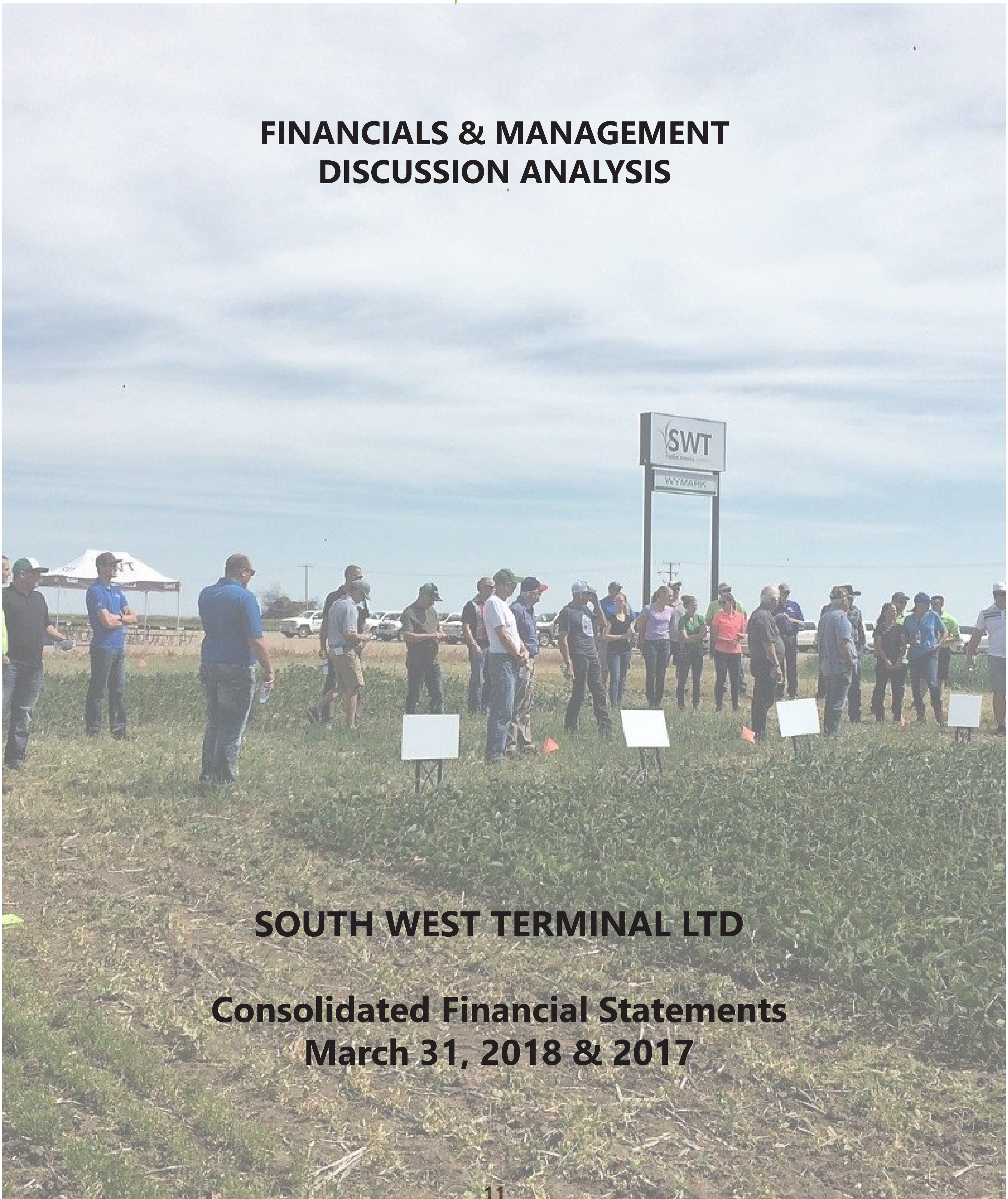
SEED SALES

CROP NUTRIENTS SHIPPED

GRAIN SHIPPED



FINANCIALS & MANAGEMENT DISCUSSION ANALYSIS



SOUTH WEST TERMINAL LTD

Consolidated Financial Statements
March 31, 2018 & 2017

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, 2018 and 2017, 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, 2018 and 2017 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, Canada
June 22, 2018

South West Terminal Ltd.

Consolidated statements of financial position

As at March 31

	2018 $	2017 $
Assets		
Current		
Cash	993,314	2,670,543
Accounts receivable [note 4]	13,776,462	20,963,215
Inventories [note 5]	63,594,303	57,436,608
Prepaid expenses	6,699,405	5,427,293
Income taxes receivable	1,217,924	346,771
Risk management assets	407,532	434,107
Total current assets	86,687,940	87,278,527
Long-term investments [note 6]	200,200	200,200
Property, plant and equipment [note 7]	46,274,178	44,961,856
Goodwill	140,000	140,000
	133,302,318	132,580,583
Liabilities and shareholders' equity		
Current		
Bank indebtedness [note 8]	15,910,144	-
Accounts payable and accrued liabilities [note 9]	13,890,227	25,756,278
Deferred revenue [note 13]	-	899,955
Customer deposits	10,392,757	14,747,182
Current portion of long-term debt [note 10]	6,425,740	7,356,976
Current portion of obligation under finance lease [note 11]	489,682	477,747
Total current liabilities	47,108,550	49,238,117
Long-term debt [note 10]	7,849,502	12,129,540
Risk management liabilities [note 10]	6,297	242,412
Obligation under finance lease [note 11]	1,288,580	1,778,262
Deferred income taxes [note 12]	3,060,552	2,189,754
Deferred revenue [note 13]	330,410	371,223
Total liabilities	59,443,891	65,959,308
Contingencies [note 16]		
Shareholders' equity		
Share capital [note 15]	182,690	182,690
Retained earnings	73,675,737	66,438,585
Total shareholders' equity	73,858,427	66,621,275
	133,302,318	132,580,583

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

	2018 $	2017 $
Revenue [notes 19 & 20]	**293,927,451**	292,822,803
Cost of sales [notes 19 & 20]	**265,368,215**	269,253,514
Gross profit	**28,559,236**	23,569,289
Expenses		
Depreciation	**2,940,386**	3,224,246
General and administrative	**10,965,142**	10,439,655
Interest on long-term debt and bank indebtedness	**899,808**	977,652
Unrealized gain on risk management liabilities	**(236,115)**	(205,687)
Loss on sale of property, plant and equipment	**188,444**	-
	14,757,665	14,435,866
Income before income taxes	**13,801,571**	9,133,423
Income taxes [note 16]		
Current	**2,703,236**	1,537,801
Deferred	**860,798**	838,661
	3,564,034	2,376,462
Total income and comprehensive income for the year	**10,237,537**	6,756,961
Basic and diluted income per share [note 17]	**3.24**	2.14

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, 2016	182,690	61,576,604	**61,759,294**
Total income and comprehensive income for the year	-	6,756,961	**6,756,961**
Dividends	-	(1,894,980)	**(1,894,980)**
Balance, March 31, 2017	182,690	66,438,585	**66,621,275**
Total income and comprehensive income for the year	-	10,237,537	**10,237,537**
Dividends	-	(3,000,385)	**(3,000,385)**
Balance, March 31, 2018	**182,690**	**73,675,737**	**73,858,427**

See accompanying notes

South West Terminal Ltd.

Consolidated statements of cash flows

Years ended March 31

	2018 $	2017 $
Operating activities		
Total income and comprehensive income	**10,237,537**	6,756,961
Items not affecting cash		
Depreciation	**2,940,386**	3,224,246
Deferred income taxes	**860,798**	838,661
Unrealized gain on risk management liabilities	**(236,115)**	(205,687)
Loss on sale of property, plant and equipment	**188,444**	-
Total adjustments	**13,991,050**	10,614,181
Net change in non-cash working capital balances		
Accounts receivable	**7,187,753**	5,918,630
Inventories	**(6,157,695)**	(2,961,340)
Prepaid expenses	**(1,272,202)**	(4,413,661)
Income taxes receivable	**(871,153)**	1,628,550
Risk management assets	**26,655**	252,959
Accounts payable and accrued liabilities	**(11,866,051)**	(7,878,195)
Customer deposits	**(4,354,405)**	5,974,899
Deferred revenue	**(940,768)**	846,164
Cash provided by (used in) operating activities	**(4,256,816)**	9,982,187
Investing activities		
Purchase of property, plant and equipment	**(4,547,287)**	(3,429,850)
Proceeds on disposal of property, plant and equipment	**106,135**	50,845
Return of capital received [note 6]	**-**	3,600
Cash used in investing activities	**(4,441,152)**	(3,375,405)
Financing activities		
Proceeds from bank indebtedness	**15,910,144**	-
Repayment of long-term debt	**(5,411,273)**	(2,164,558)
Repayment of finance lease obligation	**(477,747)**	(471,706)
Dividends	**(3,000,385)**	(1,894,980)
Cash provided by (used in) financing activities	**7,020,739**	(4,531,244)
Net increase (decrease) in cash during the year	**(1,677,229)**	2,075,538
Cash, beginning of year	**2,670,543**	595,005
Cash, end of year	**993,314**	2,670,543
Supplemental disclosure of cash flow information		
Interest paid	**899,795**	982,989
Income taxes paid	**3,574,389**	3,859,892

See accompanying notes

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2018 and 2017

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 22, 2018.

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 23, 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 accounting 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 from the date of acquisition.

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.

3. Summary of significant accounting policies [continued]

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 the smallest group of assets that generate largely independent cash inflows.

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.

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, 2018, there is no impairment on this goodwill.

3. Summary of significant accounting policies [continued]

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.

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.

3. Summary of significant accounting policies [continued]

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.

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. 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.

3. Summary of significant accounting policies [continued]

Financial instruments [continued]

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: bank indebtedness, accounts payable and accrued liabilities, customer deposits, long-term debt and obligation under finance lease.

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.

3. Summary of significant accounting policies [continued]

Fair value hierarchy [continued]

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.

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

(b) 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.

(c) 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.

Notes to the consolidated financial statements

March 31, 2018 and 2017

3. Summary of significant accounting policies [continued]

Use of estimates and judgments [continued]

d) 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.

(e) Income taxes
The company computes an income tax provision in the jurisdiction in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred income tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

(f) 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:

- IAS 7 Disclosure Initiative - Amendments to IAS 7: The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

- IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12: The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

These amendments do not have any impact on the company.

3. Summary of significant accounting policies [continued]

Standards issued but not yet effective

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

- IFRS 9 Financial Instruments: sets out the requirements for the classification, measurement and impairment of financial assets and liabilities and a substantially reformed approach to hedge accounting. The new standard will come into effect on January 1, 2018. The company plans to adopt the new standard on the required effective date and is still assessing the impact, if any, on the consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers: applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS. The standard outlines the principles an entity must apply to measure and recognize revenue and the related cash flows. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The company's assessment primarily involved determining whether any performance obligations exist under contracts that will need to be separately identified that may affect the timing of when revenue will be recognized under IFRS 15. Grain contracts, crop production products and services work orders and quotes, and customer deposits were analyzed to understand whether the timing and amount of revenue recognized could differ under IFRS 15. The company determined that, as the majority of the company's revenue is derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by IFRS 15, no material impacts on the timing and measurement of revenue from existing revenue recognition practices are expected from the adoption of the new standard starting January 1, 2018. Additional disclosures, however, are anticipated.

- IFRS 16 Leases: outlines requirements for lessees to recognize assets and liabilities for most leases. Lessees are required to recognize the lease liability for the obligations to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Lease liability is measured at the present value of lease payments to be made over the term of the lease. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for prepayments, direct costs and incentives received. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early recognition is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The company will continue to assess the potential effect of IFRS 16 on its consolidated financial statements and adopt January 1, 2019.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment: addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation specifically addresses the following: whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax loss, unused tax credits and tax rates and how an entity includes considerations related to changes in facts and circumstances. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The company will continue to assess the potential effect of IFRIC Interpretation 23 on its consolidated financial statements and adopt January 1, 2019.

March 31, 2018 and 2017

4. Accounts receivable

	2018 $	2017 $
Trade and other receivables	**13,881,749**	20,967,883
Allowance for doubtful accounts	**(106,287)**	(4,668)
	13,775,462	20,963,215

	$	$
Current	**9,985,185**	19,076,681
30 days	**1,452,354**	1,013,527
60 days	**305,122**	216,060
Over 90 days	**2,139,088**	661,615
Allowance for doubtful accounts	**(106,287)**	(4,668)
	13,775,462	20,963,215

The Company's receivables have been pledged as security for the operating line of credit under the general security agreement as disclosed in note 8.

5. Inventories

	2018 $	2017 $
Crop inputs	48,534,714	44,148,961
Grain	15,059,589	13,287,647
	63,594,303	57,436,608

The amount of inventory expensed and included in cost of sales is $239,293,482 (2017 - $248,046,034).

The Company's inventories have been pledged as security for the operating line of credit under the general security agreement as disclosed in note 8.

6. Long-term investments

	2018 $	2017 $
Admiral Grain Co. Inc.	**3,800**	3,800
Great Western Railway Ltd.	**96,400**	96,400
Great Sandhills Railway Ltd.	**100,000**	100,000
	200,200	200,200

During the prior year, the Company received a $3,600 return of capital from Great Western Railway Ltd.

Notes to the consolidated financial statements

March 31, 2018 and 2017

7. Property, plant and equipment

Cost:

	Balance at March 31, 2016 $	Additions and disposals $	Balance at March 31, 2017 $	Additions and disposals $	Balance at March 31, 2018 $
Buildings	**21,047,392**	723,696	21,771,088	1,544,429	23,315,517
Cleaners	**1,629,975**	9,578	1,639,553	90,381	1,729,934
Computer hardware and software	**1,166,746**	63,547	1,230,293	12,468	1,242,761
Entrance roads	**993,591**	433,697	1,427,288	-	1,427,288
Equipment	**3,884,342**	151,059	4,035,401	141,548	4,176,949
Office furniture and equipment	**675,778**	97,122	772,900	165,640	938,540
Plant equipment	**16,068,520**	1,563,030	17,631,550	1,790,057	19,421,607
Railway siding	**7,089,982**	68,156	7,158,138	22,106	7,180,244
Terminal	**5,925,596**	-	5,925,596	-	5,925,596
Vehicles	**1,241,831**	187,291	1,429,122	97,359	1,526,481
	59,723,753	3,297,176	63,020,929	3,863,988	66,884,917
Land	**411,010**	-	411,010	-	411,010
	60,134,763	3,297,176	63,431,939	3,863,988	67,295,927

Accumulated depreciation:

	Balance at March 31, 2016 $	Depreciation and disposals $	Balance at March 31, 2017 $	Depreciation and disposals $	Balance at March 31, 2018 $
Buildings	2,594,212	858,849	3,453,061	698,459	4,151,520
Cleaners	1,177,875	91,377	1,269,252	82,771	1,352,023
Computer hardware and software	825,633	360,614	1,186,247	21,971	1,208,218
Entrance roads	308,752	71,364	380,116	71,365	451,481
Equipment	2,362,954	392,020	2,754,974	174,267	2,929,241
Office furniture and equipment	223,655	37,882	261,537	86,458	347,995
Plant equipment	2,734,830	705,888	3,440,718	754,392	4,195,110
Railway siding	1,543,556	357,694	1,901,250	359,083	2,260,333
Terminal	2,725,647	148,140	2,873,787	148,140	3,021,927
Vehicles	830,553	118,588	949,141	154,760	1,103,901
	15,327,667	3,142,416	18,470,083	2,551,666	21,021,749

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2018 and 2017

7. Property, plant and equipment [continued]

Carrying amount:

	March 31, 2018 $	March 31, 2017 $
Buildings	19,163,997	18,318,027
Cleaners	377,911	370,301
Computer hardware and software	34,543	44,046
Entrance roads	975,807	1,047,172
Equipment	1,247,708	1,280,427
Office furniture and equipment	590,545	511,363
Plant equipment	15,226,497	14,190,832
Railway	4,919,911	5,256,888
Terminal	2,903,669	3,051,809
Vehicles	422,580	479,981
	45,863,168	44,550,846
Land	411,010	411,010
	46,274,178	44,961,856

8. Bank indebtedness

The Company has available to it, an RBC operating line of credit with an authorized limit of $30,000,000 (2017 - $17,000,000) until May 1, 2018 when the limit returns to $17,000,000, bearing interest at prime and secured by accounts receivable, inventories and a general security agreement. $15,910,144 (2017 - $nil) of this operating line of credit was being utilized at year-end.

The Company also has available to it, an RBC USD operating line of credit with an authorized limit of 13,000,000 CAD (2017 - $nil), bearing interest at USD prime and secured by accounts receivable, inventories and a general security agreement. This operating line of credit was not utilized at year-end.

The combined borrowings from both lines of credit cannot exceed $30,000,000.

At March 31, 2018, the RBC prime lending rate was 3.45% (2017 - 2.70%) and the RBC USD prime lending rate was 4.75%.

9. Accounts payable and accrued liabilities

	2018 $	2017 $
Accrued and other liabilities	**11,035,598**	18,937,386
Trade accounts payable	**2,854,629**	6,818,892
	13,890,227	25,756,278

Notes to the consolidated financial statements

March 31, 2018 and 2017

10. Long-term debt

	2018 $	2017 $
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	**5,326,009**	5,934,861
Scotiabank Bankers' Acceptance, with interest bearing at the option of Bankers' Acceptance plus 1% or Scotiabank prime, repayable in monthly instalments of $58,350, plus interest, secured by a general security agreement, due October 2018	**5,191,150**	5,833,000
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	**3,558,083**	4,131,645
4.5% Farm Credit Canada term loan, repayable in blended monthly instalments of $42,505, secured by land and a general security agreement, repaid during the year	**-**	3,587,009
	14,075,242	19,486,515
Less current portion	**6,425,740**	7,356,975
	7,649,502	12,129,540

At March 31, 2018, the Scotiabank prime lending rate was 3.45% (2017 - 2.70%) and the Bankers' Acceptance Rate was 1.57% (2017 - 0.84%).

The company has entered into interest rate swaps to manage risk over the variable portion of the term loans. A risk management liability of $6,297 (2017 - $242,412) has been recorded at year end representing the fair value of the swaps.

Estimated principal repayments are as follows:

	$
2019	6,425,740
2020	5,320,865
2021	660,331
2022	692,734
2023	975,572

11. Obligation under finance lease

	2018 $	2017 $
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 $2,164,584	**1,778,262**	2,256,009
Less current portion	**489,682**	477,747
	1,288,580	1,778,262

11. 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:

	$
2019	528,086
2020	528,086
2021	528,086
Purchase options available	272,771
Total future minimum lease payments	1,857,029
Less amount representing interest	78,767
Present value of minimum net lease payments	1,778,262
Less current portion	489,682
	1,288,580

At March 31, 2018, the thirty day Scotiabank Bankers' Acceptance rate was 1.57% (2017 - 0.84%).

Interest paid on the obligation under finance lease for the year ending March 31, 2018 was $50,339 (2017 - $56,380).

12. Deferred income taxes

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

	2018 $	**2017** $
Property, plant and equipment	**2,939,859**	2,207,261
Goodwill	**18,086**	26,763
Risk management liabilities	**(1,700)**	(65,451)
Finance lease	**104,307**	31,181
	3,060,552	2,199,754

The amount of deferred income tax liabilities incurred and included in income taxes is $860,798 (2017 - $838,661).

13. Deferred revenue

Deferred revenues reported as current in the prior year related to a rail shipment in-transit at year-end for which payment had already been received.

Long-term deferred revenues relate to service agreements the Company has entered into to provide storage in the grain terminal 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.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2018 and 2017

14. 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 share of assets, liabilities, revenues, and expenses in the joint operation, included in these consolidated financial statements, are the following:

	March 31, 2018 $	March 31, 2017 $
a) Share of joint operation's statement of financial position		
Buildings at cost, less accumulated amortization of $28,553 (2017 - $25,892)	37,984	40,645
Equipment at cost, less accumulated amortization of $47,605 (2017 - $43,690)	12,331	16,246
b) Share of joint operations revenue and expenses		
Revenue	-	-
Expenses	1,480	2,410

15. 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

		2018 $	2017 $
1,758,300	Class B shares	**17,406**	17,406
1,400,000	Class C shares	**165,284**	165,284
		182,690	182,690

On July 20, 2017 and January 15, 2018, the Company paid dividends on the Class B and Class C shares in the amount of $0.60 per share and $0.35 per share respectively, for a total of $3,000,385 by way of cash payment. On June 20, 2016, the Company paid dividends on the Class B and Class C shares in the amount of $60.00 per share for a total of $1,894,980 by way of cash payment. On July 21, 2016, the shareholders approved a 100:1 stock split of each issued and outstanding Class B and C shares.

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2018 and 2017

16. Income taxes

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

	2018	2017
	$	$
	27.00%	27.00%
Anticipated income tax	**3,726,424**	2,466,024
Tax effect of the following:		
Saskatchewan manufacturing and processing profits tax reduction	**(169,073)**	(99,060)
Non-deductible expenses	**8,072**	12,668
Other	**(1,389)**	(3,170)
Income tax expense	**3,564,034**	2,376,462

17. 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, 2018, is 3,158,300 (2017 - 3,158,300).

			2018
	Net and comprehensive income	**Weighted average common shares**	**Income per share**
	$	$	$
Basic and dilutive	10,237,537	3,158,300	3.24

			2017
	Net and comprehensive income	**Weighted average common shares**	**Income per share**
	$	$	$
Basic and dilutive	6,756,961	3,158,300	2.14

18. Contingencies

At year end, the Company held 3,581 (2017 - 4,383) tonnes of grain inventory, with a value of $1,037,005 (2017 - $1,011,040), 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.

Notes to the consolidated financial statements

March 31, 2018 and 2017

19. 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 $985,942 (2017 - $858,677).

During the year, services with a value of $140,029 (2017 - $148,551) were expensed in these consolidated financial statements that related to services provided to the Company by the Board of Directors. Also, the Company purchased 9,911 (2017 - 11,246) tonnes of grain from directors with an aggregate value of $3,188,490 (2017 - $3,395,782) and directors purchased crop inputs in the amount of $2,080,120 (2017 - $4,299,889).

During the year, the Company made sales of grain and received other income from Cargill, a shareholder, in the amount of $71,878,258 (2017 - $62,760,399) and made purchases of product and services in the amount of $37,119,857 (2017 - $47,094,323) from Cargill. Included in accounts payable is $218,320 (2017 - $3,256,178) due to Cargill. Included in accounts receivable is $489,665 (2017 - $4,197,468) due from Cargill. Included in prepaid expenses is $465,768 (2017 - $nil) from 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.

20. 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.

2018

	Grain handling	Crop inputs	Total
	$	$	$
Revenues	181,794,255	112,133,196	293,927,451
Cost of sales	168,686,011	96,682,204	265,368,215
Gross profit	13,108,244	15,450,992	28,559,236
Depreciation	(1,059,646)	(1,880,740)	(2,940,386)
Loss on sale of property, plant, and equipment	-	(188,444)	(188,444)
Profit before shared expenses	12,048,598	13,381,808	25,430,406
General and administrative			(10,965,142)
Interest on long-term debt and bank indebtedness			(899,808)
Unrealized gain on risk management liabilities			236,115
Income taxes			(3,564,034)
Total income and comprehensive income			10,237,537
Net property, plant and equipment additions	356,017	3,896,691	4,252,708
Total assets	35,662,599	97,639,719	133,302,318
Property, plant and equipment	15,781,208	30,492,970	46,274,178
Goodwill and intangible assets	-	140,000	140,000

South West Terminal Ltd.

Notes to the consolidated financial statements

March 31, 2018 and 2017

20. Segment information [continued]

2017

	Grain handling $	Crop inputs $	Total $
Revenues	168,302,099	124,520,704	292,822,803
Cost of sales	158,861,015	110,392,499	269,253,514
Gross profit	9,441,084	14,128,205	23,569,289
Depreciation	(1,409,622)	(1,814,624)	(3,224,246)
Profit before shared expenses	8,031,462	12,313,581	20,345,043
General and administrative			(10,439,655)
Interest on long-term debt and bank indebtedness			(977,652)
Unrealized gain on risk management liabilities			205,687
Income taxes			(2,376,462)
Total income and comprehensive income			6,756,961
Net property, plant and equipment additions	2,222,932	1,156,074	3,379,006
Total assets	39,815,709	92,764,874	132,580,583
Property, plant and equipment	16,484,837	28,477,019	44,961,856
Goodwill and intangible assets	-	140,000	140,000

21. 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, 2018, is as follows:

	2018 $	2017 $
Bank indebtedness	15,910,144	-
Current portion of long-term debt	6,425,740	7,356,975
Current portion of obligation under finance lease	489,682	477,747
Long-term debt	7,649,502	12,129,540
Obligation under finance lease	1,288,580	1,778,262
Shareholders' equity	73,858,427	66,621,275
	105,622,075	88,363,799

21. 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, 2018, the Company complied with all financial covenants and externally-imposed capital requirements.

22. Financial instrument risk management risks and uncertainties

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, 2018 was $106,287 (2017 - $4,668).

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 US 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 US dollar fluctuations on the operating results of the Company. In 2018, a net foreign exchange loss of $252,003 (2017 - $128,285) 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 bank indebtedness, 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 bank indebtedness, long-term debt and obligation under finance lease of the Company would increase or decrease interest expense by approximately $318,000 (2017 - $217,000). 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, 2018, there were two interest rate swaps outstanding, for a total notional amount of $6,852,712 (2017 - $8,030,659), with fixed interest rates of 2.48% and 1.25%.

22. 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 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, 2018, resulted in the recognition of a risk management asset of $407,532 (2017 - $434,187).

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	$ 34,582,025
3 - 12 months	$ 12,526,525
1 - 5 years	$ 8,944,378

23. 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. Bank indebtedness, accounts payable and accrued liabilities, customer deposits, long-term debt and obligation under finance lease are classified as other financial liabilities and are initially recognized at fair value and subsequently carried at amortized cost which approximates fair value due to the short-term nature of the balances.

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

Risk management liabilities consist of interest rate swaps. They are classified as held for trading and fair value is based on mid-market inputs obtained from third party sources.

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.

23. 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 on a recurring basis classified by the fair value hierarchy.

March 31, 2018

	Level 1 $	Level 2 $	Level 3 $
Grain inventories	-	13,873,199	-
Grain purchase and sales contracts	-	1,186,390	-
Risk management assets	407,532	-	-
Long-term investments	-	-	200,200
Risk management liabilities	-	6,297	-

March 31, 2017

	Level 1 $	Level 2 $	Level 3 $
Grain inventories	-	10,560,006	-
Grain purchases and sales contracts	-	2,727,642	-
Risk management assets	434,187	-	-
Long-term investments	-	-	200,200
Risk management liabilities	-	242,412	-

SOUTH WEST TERMINAL LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX AND TWELVE MONTHS ENDED MARCH 31, 2018

The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations has been prepared by management to help readers interpret South West Terminal Ltd's ("SWT" or the "Company") consolidated financial results for the six and twelve months ended March 31, 2018 and should be read in conjunction with SWT audited consolidated financial statements and related notes thereto for the year ended March 31, 2018. The consolidated financial statements have been prepared in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS"). Additional information related to SWT, including semi-annual and annual reports, is available on SEDAR at www.sedar.com and/or on SWT website at www.swt.ca.

This MD&A has been prepared as at June 22, 2018. All amounts are in Canadian dollars unless otherwise stated.

FORWARD-LOOKING STATEMENTS DISCLAIMER

Certain statements in this MD&A that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties that may cause the corporation's actual results or outcomes to be materially different from those anticipated and discussed herein. 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, rail service, 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.

In assessing forward-looking statements contained herein, readers are urged to read carefully all cautionary statements contained in this MD&A and accompanying consolidated financial statements, and in those other filings with the corporation's Canadian regulatory authorities as found at 'www.SEDAR.com' and to not put undue reliance on such forward-looking statements. Although SWT management ("Management") believes that the expectations reflected in the forward-looking statements are reasonable, Management cannot guarantee future results, levels of activity, performance or achievements, or other future events. Management is under no duty to update any of its forward-looking statements after the date of this MD&A, other than as required and governed by law.

Additional information related to the Corporation is available for view on SEDAR at www.sedar.com.

Highlights for twelve months

- EBITDA was $17,641,765 for the twelve months ended March 31, 2018 as compared to $13,335,321 for the prior year's twelve months ended March 31, 2017
- Gross profit was $28,559,236 for the twelve months ended March 31, 2018 as compared to $23,569,289 for the prior year's twelve months ended March 31, 2017
- Shipped 512,146 metric tonnes of grain, an increase of 48,707 compared with same period in previous fiscal year, surpassing budget expectation by 36,840
- Grain gross profit increased by $3,667,160 as compared with prior year
- Shipped 114,406 metric tonnes of granular fertilizer, an increase of 11,854 compared with the same period in the previous fiscal year, surpassing budget expectation by 3,841.
- Granular fertilizer gross profit increased by $2,176,891 as compared with prior year
- Sold $45,526,953 of crop protection products, a sharp decrease of $16,685,541 compared with same period in previous fiscal and under achieving budget expectation by $21,153,047
- Crop protection products gross margin decreased by $1,104,250 as compared with prior year
- Net income was $10,237,537 for the twelve months ended March 31, 2018 as compared to $6,756,961 for the prior year's twelve months ended March 31, 2017
- Earnings per share was $3.24 for the twelve months ended March 31, 2018 as compared to $2.14 for the prior year's twelve months ended March 31, 2017

Business Overview

South West Terminal (SWT or the Company) opened its doors to producers in January 1997 after three years of dreaming, envisioning, hard work, teamwork, and perseverance. As the first producer-owned inland grain terminal in south-west Saskatchewan, SWT is located strategically on the Canadian Pacific mainline, which runs parallel to Saskatchewan's #1 highway, and right in the heart of Saskatchewan's south-western grain belt. Seeing the opportunity to support grain producers even more, SWT diversified into Crop inputs in 2000 and has since added four more Crop inputs locations around the region and a 50,000 MT fertilizer warehouse at the main terminal location.

Through its grain unit, SWT handles products such as durum, canola, red spring wheat, yellow peas, red lentils and other commodities for domestic and export markets. SWT operates its grain business from a single point located east of Gull Lake, Sk. The site is also the home to the Company's head office, a crop inputs retail and fertilizer warehouse. The Crop inputs business unit sells granular fertilizer, liquid fertilizer and crop protection products along with bulk and bagged certified seed. The crop input business operates throughout southwest Saskatchewan at Gull Lake, Hazenmore, Cabri, Shaunavon and Wymark.

Within its industry, SWT has secured its identity as an independent, innovative, and progressive organization, celebrating consistent success. Within its community, which includes its employees, its customers, clients, and business associates, SWT has become synonymous with warm and friendly hospitality, caring and supportive relationships, and casual yet efficient and effective business practices. For these achievements, SWT is emerging as a unique and admired leader, challenging the conventional stereotypes of an agricultural-based business.

SWT’s aspiration is to earn the reputation of being a sustainable, successful and growing business venture delivering high value to its stakeholders, choosing to take the high road in its business practices while remaining community-based, genuinely people-centered, and unwilling to compromise its convictions.

Strategic Prospective & Business Strategy

The information contained in this section entitled "Strategic Prospective Business Strategy" is forward looking information which reflects the Company’s current business goals and objectives. Readers are cautioned that none of the strategies discussed hereunder have received Board approval, and at this time are simply opportunities management intends on exploring further. These forward-looking statements involve known and unknown risks and uncertainties that may cause the company's strategies to be materially different from those anticipated and discussed herein.

FINANCIAL STRATEGIC OBJECTIVES & GOALS

By striving for a current ratio (current assets divided by current liabilities) of greater than 1.5:1 and a debt to equity ratio (total liabilities divided by shareholders equity) of less than 1.25:1 by 2022, the key financial drivers for measuring the success of the strategy have been identified. In order to achieve these two targets, there are two financial strategic levers: revenue growth and productivity.

Two areas are primarily responsible for revenue growth. The first component of growing revenues is through asset expansion of the grain business. The potential for increased grain storage with the existing facility and the opportunity for a new build outside of the existing market area will be looked at. As well, diversification of crops handled will also be a long-term metric that the Company measures, as the diversity of crops beyond durum must be explored. As well, with the prior expansion of the fertilizer warehouse, there is available capacity to further develop the business at our existing retail locations. With that in mind, the second component of growing revenues will be through the expansion of crop inputs retails. There is potential to be explored in the existing southwest Saskatchewan region, but other areas outside of the existing marketplace will also be investigated.

Improving productivity involves two components: cost reduction and asset intensity. Cost reduction would be measured by operating cash expenses versus the industry, with the goal being to have the lowest operating cost per unit of output amongst independent grain companies and retailers. Asset productivity would enable SWT to handle the anticipated higher volumes from its growth strategy from its existing assets. For this objective, SWT has chosen the asset turnover ratio which tells us how well we are doing at generating more revenue from our existing assets while practicing inventory management.

CUSTOMER STRATEGIC OBJECTIVES & GOALS

SWT's value proposition to its customer base is to provide solutions to their businesses and to aid in their profitability. In order to achieve this, SWT must appropriately segment its' market. There are partners, base and volume customers that conduct business with SWT. The strategy is to emphasize a value-based business with a focus on growing the business with the partner customers and to create more long-standing relationships.

SWT has conducted multiple third-party surveys with its customer base to better understand how the business is doing. From this process has emerged significant data which will be used to build on the performance of SWT and its perception as compared to the competition.

SWT's goal is to improve its' overall customer satisfaction rating in these surveys from 3.9 out of 5.0 to a 4.1 out of 5.0 by the fall of 2020. In order to achieve this satisfaction rating, a customer segmentation process will take place that will provide a segment (partners) of focus for growth and stability in the targeted audience. As well, significant initiatives will take place to achieve the objective of creating personalized relationships. Developing initiatives that create a competitive advantage or inimitable attributes are vital to the long-term sustainability of SWT. Getting to know the customer and listening to their wants and needs will help in the goal to increase customer satisfaction. The next Reality Check survey will be key in understanding whether SWT has in fact achieved these objectives.

INTERNAL PROCESS STRATEGIC OBJECTIVES & GOALS

The financial and customer objectives reflect the outcomes – satisfied shareholders and loyal customers – of a successful strategy. Now that SWT has a clear picture of *what* it intends to deliver to its shareholders and customers, it can determine the *how* of its strategy, which are the key processes that accomplish the following:

- Create and deliver the value proposition to customers.
- Achieve the productivity improvements required by the financial objectives.

The process perspective identifies the critical operations management, customer management, innovation and regulatory and social processes in which the organization must excel at to achieve its customer, revenue growth and profitability objectives.

<u>Operations management processes</u> are the basic day-to-day processes that produce products and services and deliver them to the customer. SWT believes that the following objectives are key to operations management success:

- Improve the cost, quality and cycle times of operating processes.
- Improve asset utilization.
- Improve inventory management.

With SWT focusing on the value proposition of providing solutions to their businesses, improving the cost of operating processes ensures that the cost to provide competitive advantages does not become a major expense. By limiting the time lag between trucks going in and out of the elevator, fertilizer plants and chemical sheds, the cost of operating long hours can be managed. In order to measure the effectiveness of these processes, Management has elected to measure the times in which trucks arrive and leave. As well, by measuring the speed of cycle times, the quality of work must become standardized to ensure continuous improvement.

By improving asset utilization, SWT can produce improved outputs from its facilities and people. With the business operating in somewhat of a seasonal environment, the need to improve employee utilization at its locations and differing business units becomes a key focus.

As the business grows, so does the importance of managing inventories and ensuring the right products are in place at the right times to meet customer demands. By establishing a quarterly re-forecasting procedure and measuring those forecasts, the business can limit its cost of inventory and will ensure the right products are in place to deliver to the customer.

Customer management processes expand and deepen relationships with targeted customers. SWT has identified the following two objectives as a means to improve its value proposition to its customers:

- Understand customer segments.
- Generate growth with customers.

This objective will allow the team to focus its attention on key segments while allowing for growth in other segments that may not be as important. Improved focus and a tangible measurement are the key drivers of this objective.

To generate growth with customers, SWT must manage its relationships effectively, buy and sell multiple products and services and become known to the customer as a trusted adviser and supplier. By providing the latest technology in fertilizer application, customized seed options, chemical products and an increased diversity in grain purchases at the terminal, the Company will create differentiation in the marketplace. As well, by increasing the complete set of services offered to customers, the cost of switching to alternative suppliers becomes higher and as such, contributes to customer retention and higher lifetime customer profitability.

Innovation processes develop new products, processes or services that enable SWT to penetrate new markets and customer segments. Successful innovation drives customer acquisition, loyalty and growth along with enhanced profit margins. Increasing the innovative options aids in the ability of the Company to be imitated by the competition in the marketplace. Customers of SWT have communicated over the past many years that they are in need of agronomic advice. Timelines and expectations have been set for the full roll out of the program in the fall of 2018.

Regulatory and social processes will aid in SWT's continuing efforts to earn the right to operate in the communities in which we serve. SWT seeks to go beyond mere compliance with regards to safety and environmental regulations and to develop a reputation as an employer of choice in every community in which we operate. The following two objectives have been identified as key focus points:

- Support and enhance the safety of people and the environment.
- Enhance reputation as being a "good neighbor".

An excellent reputation for performance along regulatory and socially-responsible dimensions assists companies in attracting and retaining high-quality employees, thereby making human resource processes more effective and efficient. Along with being more socially responsible as a corporation, improving employee safety and health improves productivity and lowers operating costs. As well, companies with outstanding reputations in the communities in which they serve generally enhance their image with customers and socially-conscience stakeholders. According to the Reality Check results, farm customers are very much invested in the business because of the social aspect of SWT. These components to SWT's internal strategies will provide the Company with the ability to drive long-term shareholder value creation.

LEARNING AND GROWTH STRATEGIC OBJECTIVES & GOALS

The final set of objectives provide the foundation for SWT's strategy: enhancing employees' core competencies and motivation, expanding the role of information technology through improved integrated software allowing for better reporting and aligning employee goals to the strategy of the Company to improve the culture. The team has identified five strategic objectives for the learning and growth perspective:

Human Resources – Develop core competencies and skills for all staff. SWT must improve the skill level at each position by identifying the key attributes required for each position and then ensuring that the appropriate training has been undertaken and knowledge employed. As well, leadership must continue to work on the skills required to articulate the vision and build on employee engagement through coaching. Finally, a motivated and prepared workforce that is engaged in the agriculture industry must continually develop the skills required to reach out to customers instead of waiting for the customer to come to us.

Information Technology – Provide access to strategic information and to develop software that focuses on customer information. The current software SWT uses for its day-to-day operations and finance activities are not easily integrated. A sizeable commitment to the development of an integrated software program to provide more timely reports, financial information, customer data and create internal efficiencies will allow the Company to improve its internal process, improve engagement with its customers and to improve its productivity.

Organizational Culture and Alignment – The first objective is to enable the achievement of the vision by promoting an understanding of the organizational strategy and by creating a climate in which employees are motivated and empowered to strive towards that vision. The second is to build a culture wherein the sharing of customer information and best practices across the business units will ensure the Company's overall vision will be achieved.

Conclusion

Market Attractiveness

The grain business and crop inputs business have both been successful and profitable ventures for SWT in southwest Saskatchewan. As SWT still has some excess capacity remaining in the existing assets of SWT, there is some growth that can occur. The Company's recent foray into Wymark and its updated Hazenmore facility will need to be strategically focused on to ensure maximization of that marketplace. Other than that specific region, management believes the current SWT footprint has reached its market capacity.

Although the agricultural industry has been steadily growing, it is expected to flatten out in the near future. SWT must work with its industry relationships to expand into regions that SWT is currently not situated in.

Risk and Opportunity in the Macro Environment

With all of the political posturing in the world currently, there are challenges from a political and economic standpoint. The world marketplace does have some challenges with policies and tariffs in certain countries, but those policies can be overcome by practices conducted here on the prairies. The current government is highly in favour of exports out of the province and the landscape, continuing to change, with higher levels of crop nutrition and increased chemical application becoming the norm.

The competition is positioned well on the prairies and continues to change its shape. The largest risk in the macro environment is the potential for increased presence from the larger companies. However, the perceived strategy of many of our competitors is to establish a presence in the largely-populated centres and to steer clear of rural Saskatchewan. SWT has built a strong business upon a foundation of great people and culture which should allow it to expand its footprint into existing market gaps in Saskatchewan. Despite the business establishing itself as a durum market leader and an increased focus on canola, the grain business needs additional avenues to minimize its risk in the marketplace. Finally, with available capacity in the fertilizer warehouse and with strong relationships in the crop protection business, the expansion of that business unit should be well-supported.

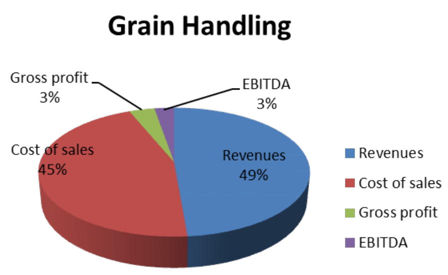
Business Segment Performance

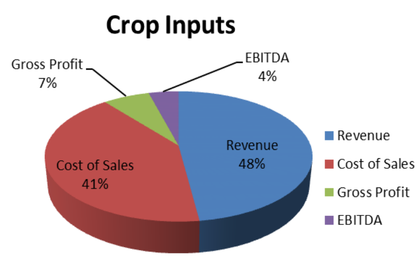
SWT's management team reviews SWT's operations and resource allocation by grain handling and crop input business segments. Business segments are strategic business units with different products, processes and marketing strategies.

Segment performance is evaluated on the basis of EBITDA. Management believes that EBITDA is an important indicator of SWT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose.

The accounting policies used within each segment are consistent with the policies outlined in the notes to SWT's March 31, 2018 annual audited consolidated financial statements. Segmented revenues, expenses and results include transactions between segments that occurred during the ordinary course of business with normal market terms and conditions. Certain estimates and assumptions were made by Management in the determination of segment composition.

A review of the outlook for each of SWT's business segments is below.





Grain Handling

The grain handling segment represents the principal core business of SWT in the origination and processing (including cleaning, bulk loading, shipping and export) of grain in SWT's facility in Saskatchewan. This segment represents the largest segment of SWT's business and provides the core infrastructure enabling the Company continuous processing and logistics support of grain products.

Selected Results by Reporting Segment (1) (2) (All amounts are in $CAD except-Tonnes)	Year Ended March 31, 2018 (Audited)	Year Ended March 31, 2017 (Audited)
Revenue	181,794,255	168,302,099
Cost of Sales	(168,686,011)	(158,861,015)
Gross Profit	13,108,244	9,441,084
EBITDA	7,707,811	4,560,702
Total MT invoiced	512,146	463,439
Gross Profit per MT	25.59	20.37
EBIDTA per MT	15.05	9.84

(1) Certain estimates and assumptions were made by Management in the determination of segment composition

Total revenue from grain handling for the twelve-month period ended March 31, 2018 was $181,794,255, an increase of $13,492,156 compared with the prior year. The Company shipped 512,146 metric tonnes in the fiscal year 2018, a slight increase of 48,707 a higher gross profit per metric tonne when compared to the previous fiscal year, resulting in higher grain revenue and higher EBIDTA per metric tonne. The average price of grain shipped was $355/MT as compared to $363/MT one year ago. World durum values, along with those of other commodities, declined when compared to the same time last year. However, durum continues to be an important commodity to the business, and was the major contributor to the higher total sales value and total volume shipped which resulted in higher grain revenue; EBITDA per metric tonne was also up from last year.

Durum shipments increased by 81,313 metric tonnes as compared to last fiscal year, surpassing budget expectation by 52,126 metric tonnes. While other commodities experienced either modest gain or losses resulting in an overall increase in grain shipments of 48,707 tonnes as compared to twelve months in last fiscal year.

The southwest Saskatchewan growing region had varying yields with many areas of the southwest experiencing average to below average yields, due to a significant drought during the growing period of June through September of 2017. The marketplace carried over a significant volume of low-quality product into the fall shipping period. The low-quality product from 2016-2017, combined with the 2017-2018 high-quality product, backed the strong margins for the first six months of the 2017-2018 fiscal year. As well, the Company focused on a very extensive shipping and export program throughout the year to ensure consistent movement through the typically challenging fall and winter months. This strategy allowed for competitive pricing and consistent bids up on the driveway, all while maintaining grain margins that were in line with budget values.

In the last six months of the 2017-2018 fiscal year, after a period in which shipment volumes had been slowing, a resumption of more normal trade activities and a move towards normal price levels occurred, as expected. Markets need to work through the global oversupply position, which has resulted from high levels of production in recent years, low price products in the market from a number of competing origins, and a market psyche impacted by intervention of governments in the market. Through all of this, SWT was able to maintain budgeted volumes and margins while the industry began to lower its margin expectations.

Having shipped 512,146 metric tonnes in 2018, the Company exceeded budget expectations by 36,840 metric tonnes. The Company used its relationships within the industry to secure adequate empty trains to several export destinations in order to continue its aggressive pursuit of sales opportunities and to maximize future capacity utilization. Even with the increased grain shipments, the business unit was able to maintain grain handling expenses when compared to the prior year.

Crop Inputs

Selected Results by Reporting Segment (1) (2) (All amounts are in $CAD)	Year Ended March 31, 2018 (Audited)	Year Ended March 31, 2017 (Audited)
Revenue	$112,133,196	$124,520,704
Cost of Sales	($96,682,204)	($110,392,499)
Gross Profit	$15,450,992	$14,128,205
EBITDA	$9,933,954	$8,774,619

Total revenue from crop inputs for the year was $112,133,196; a decrease of $12,387,508 compared to the same period in the previous year, the decrease is largely attributed to a decrease in demand for crop protection products.

Crop protection product sales fell 27% over the same period in the prior year. Sales of crop protection products decreased by $16,685,541 to $45,526,953 for the year ended March 31, 2018 when compared to the prior year. The decrease in crop protection revenue in the current period related to decreased sales in products such as fungicide. In the year prior, damp conditions led to a large demand for fungicides as farmers invested heavily in order to reduce crop production risks. This year presented a much drier season with fewer occurrences of disease and thus less demand for these types of products. The southwest region of Saskatchewan experienced the driest growing season in the Company's twenty-year history.

Dry Fertilizer sales remained strong and SWT was able to meet customer demand due to its storage capacity resulting in increased dry fertilizer sales of 10% to $57,445,108 and an increase in tonnage sold of 12% to 114,406 as compared with the same period in the last fiscal year. The average price per tonne sold of dry fertilizer has decreased from $508.10 for this period last year down to $502.12 per metric tonne. The increased metric tonnes sold in the current fiscal year compared to the prior fiscal year resulted in the increased revenue overall. As well, the continued 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 steady revenue growth in southwest Saskatchewan.

Seed sales have decreased in the most recently completed fiscal year, with revenue totaling $6,001,112, representing a decrease of $228,198 compared to last fiscal year. Sales of bagged canola increased as science continues to improve seed genetics for the predictably hot, dry soil conditions in southwest Saskatchewan; strong values for canola were also a factor. Acres of oilseeds planted continue to increase as a niche in the rotation between pulses and cereal crops is exploited.

Consolidated Financial Results

Summary of Annual Results

(In thousands of CDN. $ except as indicated)

	Year Ended March 31, 2018 (Audited)	Year Ended March 31, 2017 (Audited)	Year Ended March 31, 2016 (Audited)
Total revenue	293,927,451	292,822,803	324,207,927
Gross profit	28,559,236	23,569,289	24,019,888
EBITDA	17,641,765	13,335,321	14,042,674
EBITDA per share	5.59	4.22	4.45[1]
Depreciation	(2,940,386)	(3,224,246)	(2,148,405)
Interest on long-term debt and bank indebtedness	(899,808)	(977,652)	(644,125)
Income taxes	(3,564,034)	(2,376,462)	(2,885,021)
Net income	10,237,537	6,756,961	8,365,123
Earnings per share basic & diluted	3.24	2.14	2.65[1]
Total assets	133,302,318	132,580,583	131,034,786
Total long-term liabilities	12,335,341	16,721,191	18,144,102
Increase (decrease) in cash	(1,677,229)	2,075,538	(1,471,000)
Cash dividend			
Class B	0.95[1]	0.60[1]	0.64[1]
Class C	0.95[1]	0.60[1]	0.64[1]

1. For comparative purposes, the earnings of other years were divided by the number of shares currently outstanding (3,158,300); a 100:1 stock split occurred in July of 2016.

Summary of Semi-Annual Results

(In thousands of CDN. $ except as indicated)

	6 Months Ended Mar 31, 2018 (Unaudited)	6 Months Ended Sept.30, 2017 (Unaudited)	6 Months Ended Mar 31, 2017 (Unaudited)	6 Months Ended Sept. 30, 2016 (Unaudited)
Total revenue	118,232,204	175,695,247	130,796,874	162,025,929
Gross profit	13,145,567	15,413,669	13,366,217	10,203,072
EBITDA	7,770,253	9,871,512	8,108,619	5,226,702
Net income	4,346,897	5,890,640	4,425,268	2,331,693
Earnings per share basic & diluted	1.38	1.87	1.40	0.74

Revenue, Gross Profit and EBIDTA

(In CND. $ except as indicated)

	6 Months Ended March 31 (unaudited)			Year Ended March 31 (Audited)		
	2018	2017	Change	2018	2017	Change
Revenue	118,232,204	130,796,874	(9.6%)	293,927,451	292,822,803	0.40%
Less: cost of sales	105,086,637	117,430,657	(10.5%)	265,368,215	269,253,514	(1.4%)
Gross profit	13,145,567	13,366,217	(1.7%)	28,559,236	23,569,289	21.2%
EBITDA	7,770,253	8,108,619	(4.2%)	17,641,765	13,335,321	32.3%
Gross profit percentage	11.11%	10.22%	0.9%	9.72%	8.05%	1.67%
EBITDA percentage of revenue	6.57%	6.20%	0.4%	6.00%	4.55%	1.45%

Discussion of semi-Annual and year-to-date results

Gross profit and EBITDA increased for the twelve-month period ended March 31, 2018 in absolute dollar and percentage terms when comparing to twelve months in previous fiscal year. Gross profit increased by $4,989,947 to $28,559,236 (2017: $23,569,289), the change is largely attributed to an increase in the combined gross margin of the two segments having risen by 17.5%. As a result, EBITDA has increased by $4,306,444.

The overall increase in revenue is due to SWT's competitive pricing in grain handling, export grain program and consistent bid as well as SWT's ability to take advantage of the continued trend toward increased fertilizer use. The Company has positioned itself as a reliable originator of commodities in a year that was extremely competitive along the supply chain.

The Company's total revenues from sales and services for the semi-annual period ended March 31, 2018 decreased to $118,232,204, as compared to the $130,796,874 in the same period of the previous year. There was a significant drop in crop protection sales ($11,618,426 in the last 6 months of the prior fiscal year compared to $6,499,246 in the last 6 months of this fiscal year) a significant contributing factor in the reduction of total sales. Minimal sales of fungicide and herbicide during the extremely dry summer of 2017 directly impacted the reduction in crop protection sales. As well, the lingering dry fall of 2017 limited the amount of fall application and year-end purchases of these same products.

Expenses

(In CND. $ except as indicated)

	6 Months Ended March 31 (Unaudited)			Year Ended March 31 (Audited)		
	2018	2017	Change	2018	2017	Change
General and administrative expenses	5,243,804	5,439,997	(4%)	10,965,142	10,439,655	5%
Interest on long-term debt and bank indebtedness	457,618	497,295	(8%)	899,808	977,652	(8%)
Depreciation	1,370,509	1,688,270	(19%)	2,940,386	3,224,246	(9%)
Income tax provision	1,595,229	1,497,787	7%	3,564,034	2,376,462	50%
Unrealized gain on risk management liabilities	(56,934)	(182,400)	(69%)	(236,115)	(205,687)	15%

General and administrative expenses for the twelve months ended March 31, 2018 increased over the same period in the prior year. This is due to an increase in certain advertising costs and contributions to promote the SWT brand.

Interest expenses for the six and twelve months ended March 31, 2018 decreased over the same periods in the prior year, due to having made lump-sum payments on high interest long-term debt.

Depreciation expense for the six months and twelve months ended March 31, 2018 decreased when compared to the same period in the prior year, largely due to the disposal of old assets at Hazenmore location. A facility update was completed by March 2018 to increase market penetration and customer services.

Income tax expense was calculated using an average tax rate of 27%.

Working Capital

Working Capital is defined as current assets (cash, accounts receivable, inventories, prepaid expenses, income tax receivable and risk management assets) less current liabilities (bank indebtedness, accounts payable and accrued liabilities, deferred revenue, customer deposits current portion of long term debt and current portion of obligation under finance lease).

	March 31, 2018 (Audited)	March 31, 2017 (Audited)	Change
Current assets	86,687,940	87,278,527	(0.7%)
Less: current liabilities	(47,108,550)	(49,238,117)	(4.3%)
Net working capital	39,579,390	38,040,410	4%

Working capital was $39,579,390 at March 31, 2018, an increase of $1,538,980 over the balance at March 31, 2017. It is typical for working capital to increase in the last six months of fiscal year; the balance was impacted by lower levels of deferred producer payments as Saskatchewan producers required cash for product sold at compressed prices. Lower farmgate prices resulted in liquidity issues for Saskatchewan producers and a change in the form of payment for some from deferred to cash.

Current Assets

Current assets were $86,687,940 at March 31, 2018, a decrease of $590,587 when compared to March 31, 2017. Decrease in cash and accounts receivable are accounting for most of the differences, decrease in cash was reduced due to a lump sum payment made toward higher interest long-term debt. Accounts receivable decreased by $7,187,753 to $13,775,462 (2017: $20,963,215), and directly related to farmers applying prepayment to their accounts.

Prepaid expenses have increased by $1,272,202 in current period which is a direct result of increased vendor prepayment to secure early competitive prices for crop input products.

Current Liabilities

Current liabilities were $47,108,550 at the end of year, down $2,129,567 from previous fiscal year due to a large decrease in accounts payable. A decrease in customer deposits of 9M contributed to the overall decrease. Accounts payable and accrued liabilities includes an accrual in respect of grain that has not yet been settled; this figure was also 4M lower than in the prior year.

Seasonal borrowing against the Company's margined line of credit with the Royal Bank of Canada ("RBC") reached a peak in March 2018 of $21,840,144. SWT uses the margined line of credit to prepay for crop input products and pay for delivered grain. Working capital was also used to complete the Hazenmore upgrade.

Dividend

SWT paid a dividend on July 20, 2017 and January 15, 2018 on the class B and class C shares in the amount of $0.60 per share and $0.35 per share respectively, for a total of $3,000,385 by way of cash payment.

It is currently anticipated that, going forward, SWT will continue to pay a bi-annual dividend, the amount of which will be determined by SWT's Board of Directors. [SWT's dividend policy will be subject to the discretion of the Board of Directors and may vary depending on, among other things, SWT's earnings, financial requirements, the satisfaction of covenants in its financial arrangements with its lenders and other relevant factors

Cash Flow

(Unaudited for the six months period ended)

Cash flow from (Used in) (Unaudited)	6 months ended March 31, 2018	6 months ended Sept. 30, 2017	6 months ended March 31, 2017	6 months ended Sept. 30, 2016
Operating activities	(6,110,474)	1,853,658	900,634	9,081,553
Investing activities	(3,049,429)	(1,391,723)	(1,690,624)	(1,684,781)
Financing activities	10,256,746	(3,236,007)	(1,331,973)	(3,199,271)
Change in cash	1,096,843	(2,774,072)	(2,121,963)	4,197,501

(Audited for the Twelve months period ended)

Cash flow from (Used in) (Audited)	Year Ended March 31,2018	Year-Ended March 31, 2017	Difference
Operating activities	(4,256,816)	9,982,187	(14,239,003)
Investing activities	(4,441,152)	(3,375,405)	(1,065,747)
Financing activities	7,020,739	(4,531,244)	11,551,983
Change in cash	(1,677,229)	2,075,538	(3,752,767)

Cash flow from continuing operations decreased for the six month and twelve-month periods ended March 31, 2018 as compared to the same periods in the last fiscal year. Cash used by operating activities was 4,256,816 compared to 9,982,187 provided by operating activities in the previous year. Increases in inventory and prepayment to vendors, in order to secure competitive pricing, resulted in an overall decrease in cash and cash provided by operating activities. In last six month of 2017-2018, SWT has demolished an old facility at Hazenmore and replaced it with a newly built advanced facility to serve customers in south Saskatchewan with an approx. cost of $4 Million, SWT expects the new facility will add value to its core strategy and its growth.

In addition, repayment of long-term debt from cash used in investing activities as well as the dividend payment from cash used in financing activities also contributed to decreased cash in the twelve months ended March 31, 2018. Inventory increases and prepayments to vendors ensured a net cash flow due to operating activities of just over $6M. With respect to investing activities, an upgrade of the Company's Hazenmore location required an expenditure of approximately $4M. It is expected the new facility will allow the Company to capitalize on its strategic plan and allow it to better serve its customers in the area. Finally, additional proceeds from debt saw a cash provided by financing activities exceed 7M, largely offsetting the amounts consumed elsewhere in the business; net cash outflows for the year ended March 31, 2018 were $1.68M

Liquidity and Capital Resources

Liquidity risk is the risk that SWT cannot meet a demand for cash or fund its obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

SWT has been able to generate sufficient cash from its operations and through access to equity, operating lines and other facilities to maintain its operations and development activities and pay its declared dividends. SWT's ability to generate sufficient cash resources from its operations will depend, among other things, on future harvests of and demand for pulses and special crops. Please see "Dividends" and "Business Outlook" above for a discussion of these factors. Further information relating to the financial instrument risks and uncertainties to which SWT is subject to is summarized in SWT's most recent audited financial statement, which is available, together with additional information relating to SWT, on SEDAR at www.sedar.com.

SWT's working capital requirements fluctuate from time to time as the supply of grain and special crops fluctuates, since payments to suppliers form the largest item of the working capital requirements. SWT's working capital requirements are met from its earnings, with its credit facility providing bridge financing until payments for sales are received.

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%. 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. In this fiscal year, the Company made a substantial repayment of long term debt in the approximate amount of 3.4 million against the 4.5% term loan with FCC that was originally used for the completion of the rail project. The Company also maintains a base capital program. In the most recent twelve month fiscal period the Company expended approx. of $4 million net of disposals from working capital to continue upgrading the Company's various grain and crop inputs facilities with a substantial capital upgrade allocated to the Hazenmore facility. 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 early spring as supplier program payments become due for crop inputs inventory, with customer deposits typically delayed until harvest is completed. In the fiscal year, the Company's borrowings against its RBC line of credit peaked during March 2018 at $21,840,144.

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.

At March 31, 2018, SWT is in compliance with its financial covenants under all credit agreements.

Capital Management

SWT manages its capital to ensure financial flexibility and to increase shareholder value through a combination of acquisitions and organic growth. This allows SWT to respond to changes in economic and/or marketplace conditions. SWT also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, SWT includes bank indebtedness, mortgages and loans payable and shareholders' equity. It may be difficult to accurately predict market requirements for attracting capital. There were no changes in SWT's approach to capital management during the year. SWT's bank indebtedness, mortgages and loans payable and shareholder's equity are components of its capital structure are set out in the following table:

	March 31, 2018 (Audited)	March 31, 2017 (Audited)
Bank indebtedness	15,910,144	-
Current portion of long-term debt	6,425,740	7,356,975
Current portion of obligation under finance lease	489,682	477,747
Long-term debt	7,649,502	12,129,540
Obligation under finance lease	1,288,580	1,778,262
Shareholders' equity	73,858,427	66,621,275
	105,622,075	88,363,799

Outstanding Share Data

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	March 31, 2018	March 31, 2017
1,758,300	**17,406**	17,406
1,400,000	**165,284**	165,284
	182,690	182,690

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 $985,942 (2017 - $858,677).

During the year, services with a value of $140,029 (2017 - $148,551) were expensed in these consolidated financial statements that related to services provided to the Company by the Board of Directors. Also, the Company purchased 9,911 (2017 - 11,246) tonnes of grain from directors with an aggregate value of $3,188,490 (2017 - $3,395,782) and directors purchased crop inputs in the amount of $2,080,120 (2017 - $4,299,889) at commercial rates and terms.

During the year, the Company made sales of grain and received other income from Cargill, a shareholder, in the amount of $71,878,258 (2017 - $62,760,399) and made purchases of product and services in the amount of $37,119,857 (2017 - $47,094,323) from Cargill at commercial rates and terms. Included in accounts payable is $218,320 (2017 - $3,256,178) due to Cargill. Included in accounts receivable is $489,665 (2017 - $4,197,468) due from Cargill. Included in prepaid expenses is $465,768 (2017 - $nil) from 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.

Off-balance sheet obligations and arrangements

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

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, 2018 was $106,287 (2017 - $4,668).

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 US 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 US dollar fluctuations on the operating results of the Company. In 2018, a net foreign exchange loss of $252,003 (2017 - $128,285) 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 bank indebtedness, 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 bank indebtedness, long-term debt and obligation under finance lease of the Company would increase or decrease interest expense by approximately $318,000 (2017 - $217,000). 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, 2018, there were two interest rate swaps outstanding, for a total notional amount of $6,852,712 (2017 - $8,030,659), with fixed interest rates of 2.48% and 1.25%.

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 effect 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 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, 2018, resulted in the recognition of a risk management asset of $407,532 (2017 - $434,187).

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	$ 34,582,025
3 - 12 months	$ 12,526,525
1 - 5 years	$ 8,944,378

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.

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.

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. Bank indebtedness, accounts payable and accrued liabilities, customer deposits, long-term debt and obligation under finance lease are classified as other financial liabilities and are initially recognized at fair value and subsequently carried at amortized cost which approximates fair value due to the short-term nature of the balances.

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

Risk management liabilities consist of interest rate swaps. They are classified as held for trading and fair value is based on mid-market inputs obtained from third party sources.

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.

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 on a recurring basis classified by the fair value hierarchy.

March 31, 2018

	Level 1	Level 2	Level 3
Grain inventories	-	13,873,199	-
Purchase and sales contract	-	1,186,390	-
Risk management assets	407,532	-	-
Long-term investments	-	-	200,200
Risk management liabilities	-	6,297	-

March 31, 2017

	Level 1	Level 2	Level 3
Grain inventories	-	10,560,006	-
Purchase and sales contract	-	2,727,642	-
Risk management assets	434,187	-	-
Long-term investments	-	-	200,200
Risk management liabilities	-	242,412	-

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:

- IAS 7 Disclosure Initiative - Amendments to IAS 7: The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

- IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12: The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

These amendments do not have any impact on the Company.

Standards issued but not yet effective

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

• IFRS 9 Financial Instruments: sets out the requirements for the classification, measurement and impairment of financial assets and liabilities and a substantially reformed approach to hedge accounting. The new standard will come into effect on January 1, 2018. The company plans to adopt the new standard on the required effective date and has initially assessed that there will be no significant impacts on its consolidated statements of financial position and equity.

• IFRS 15 Revenue from Contracts with Customers: applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS. The standard outlines the principles an entity must apply to measure and recognize revenue and the related cash flows. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The company's assessment primarily involved determining whether any performance obligations exist under contracts that will need to be separately identified that may affect the timing of when revenue will be recognized under IFRS 15. Grain contracts, crop production products and services work orders and quotes, and customer deposits were analyzed to understand whether the timing and amount of revenue recognized could differ under IFRS 15. The company determined that, as the majority of the Company's revenue is derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by IFRS 15, no material impacts on the timing and measurement of revenue from existing revenue recognition practices are expected from the adoption of the new standard starting January 1, 2018. Additional disclosures, however, are anticipated.

• IFRS 16 Leases: outlines requirements for lessees to recognize assets and liabilities for most leases. Lessees are required to recognize the lease liability for the obligations to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Lease liability is measured at the present value of lease payments to be made over the term of the lease. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for prepayments, direct costs and incentives received. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early recognition is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The company will continue to assess the potential effect of IFRS 16 on its consolidated financial statements and adopt January 1, 2019.

SWT & FCC WOULD LIKE TO THANK EVERYONE INVOLVED FOR CONTRIBUTING IN DRIVE AWAY HUNGER 2017

WE WOULD LIKE TO THANK ALL OF THE PRODUCERS AND PARTNERS THAT HAVE DONATED, AND TO ALL FUTURE DONATORS. SWT IS PROUD TO HELP MAKE A DIFFERENCE IN OUR LOCAL COMMUNITIES, AND WE COULDN'T DO IT WITHOUT YOUR HELP

ALL PROCEEDS WERE DONATED TO THE SWIFT CURRENT & DISTRICT SALVATION ARMY FOOD BANK.

WE ARE PROUD TO HAVE DONATED

$50,000

AGAIN THIS YEAR!

INVESTING IN OUR COMMUNITES

ABBEY ARENA DU
ABBEY BUSINESS & COMMUNITY CENTRE
ABBEY CURLING CLUB
AUTUMN HOUSE INDEPENDENT LIVING
BILL LEE CHARITY GOLF
BRONCOS ALUMNI GOLF CLASSIC
CABRI BULLDOGS
CABRI HOSPITAL AUX
CABRI LIBRARY
CABRI LIONS CLUB
CABRI REGIONAL PARK
CABRI RIVER RATS
DR NOBLE IRWIN REGIONAL
HEALTHCARE FOUNDATION
FRONTIER FLYERS
GREAT PLAINS COLLEGE
GULL LAKE & DISTRICT CURLING CO-OP
GULL LAKE INITIATION TEAM
GULL LAKE SKATING CLUB
HARVEST FOR KIDS 2017
KNOX UNITED CHURCH
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MANKOTA RODEO CLUB
MAVERICK SCHOOL
RED RUNNERS
RON & EVAN WEDRICK
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SASKATCHEWAN HOCKEY HALL OF FAME
SCCHS GRADUATION
SWIFT CURRENT MINOR HOCKEY ASSOCIATION
SELECTS FOOTBALL
SHAUNAVON BOOMTOWN DAYS STAMPEDE INC
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STARS
STEAMBANK GOLF COURSE
SUMMER CHILL 3 ON 3 HOCKEY
SWIFT CURRENT 57'S BALL CLUB
SWIFT CURRENT AG & EXHIBITION
SWIFT CURRENT BRONCOS
SWIFT CURRENT LACROSSE ASSOCATION
SWIFT CURRENT LEGIONNAIRES
SWSRDA
VAL MARIE RECREATION BOARD
VILLAGE OF HAZLET
WHEATLAND CONSERVATION AREA INC
WYMARK ATHLETIC ASSOCATION
WYMARK FUTURES GROUP

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 members. Once the decision is made, the student will be rewarded with a $1,000 scholarship.

The 2018 SWT Scholarship was awarded to:
CHANCE FENWICK

The Cameron Williamson Memorial Scholarship is awarded in memory of the South West Terminal Ltd. Cabri Location Manager Cameron Williamson

This is the fifth 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 ecnouraged to send a resume along with their academic achievements for consideration.

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

The 2018 Cameron Willamson Memorial Scholarship was awarded to:
DALLYN JAMIESON

Box 719
Gull Lake, SK S0N 1A0
CANADA