SWT

2019-2020 ANNUAL REPORT


SWT
Agronomy
Advantage
Yield Trials
Investing in your farm
and your community.
www.swt.ca

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MESSAGE FROM THE GENERAL MANAGER

To our shareholders,

It is once again, with a sense of pride and admiration of our company, that I begin this letter to shareholders. However, I'm not even sure where to start?! The beginning of the fiscal year was hit with the driest soil conditions our marketplace has experienced in almost 100 years, followed up with a global pandemic. Crazy and unbelievable all at the same time.

One thing that has been reinforced with me again over the last year, is how important agriculture is to the world and how important agriculture is to the local economy. There may not be a better group in society that is able to adapt to change or challenges than farmers. From severe drought to the onset of COVID-19, agriculture producers never back down. Hats off to all of you!!

The COVID-19 Pandemic

The Coronavirus impacted the business in the last month of the fiscal year. Following the guidance of the Saskatchewan Health Authority and the Chief Medical Health Officer, SWT acted quickly to ensure the safety of our employees and customers. SWT's business was deemed an essential service, so it was imperative that we acted promptly to ensure procedures and processes were changed to minimize the spread of the virus. The following are just some of the changes which were implemented:

- Increased hand washing, hand sanitization and physical distancing
- Staggered and isolated work crews
- Decreased hours of operation at the Grain Terminal
- Any staff not deemed to be operational were sent home to work
- Limited walk-in traffic
- Eliminated paper transactions at all operations

As we continue to move through the pandemic, some of these changes will be implemented permanently. It is too early to define what the new normal will look like, but the incredible work by our team and our customers to adhere to all of these changes in a very short time period was nothing short of amazing. We will continue to monitor the progress of the virus and will continue to adhere to instructions of operation from the Province of Saskatchewan and the Chief Medical Health Officer.

Performance of 2019/20

The spring of 2019 was one of the more challenging and concerning beginnings to a fiscal year in SWT's existence. The previous two fiscal years were significantly hampered due to the dry conditions, but it's tough to find a spring in recent memory that had a worse start than 2019. Little to no sub-soil moisture, strong winds and extreme heat pushed our market area to the brink of disaster. However, the rains started in late June and we pulled off one of the bigger crops in history.

The outcome of the strong 2019 harvest resulted in SWT moving the most grain in a fiscal year - ever. Over 540,000 metric tonnes of grain were shipped all over North America in what would be considered the most ambitious execution of grain shipments our business as experienced. There are a few factors of why this occurred: a commitment from our team, a great partnership with CP rail, a requirement of improved cash flow with most farm businesses and the continued growth and investment into SWT assets. All these factors culminated in the achievement of our strategic objective to maximize capacity of our assets.

With all the uncertainty around the world and commodity supply outperforming demand, margins on grain decreased slightly by 6% over 2018/19 results. Margins have been on a steady decline over the last few fiscal years, so being able to hold steady this fiscal year and to increase the volume were big wins for the company.

The sale of crop protection products received the largest impact of the tough conditions to begin the year. Overall crop protection sales dipped to just under $44M, an almost 5% decrease from the previous year. Add to that, a very competitive marketplace, manufacturer consolidation and a bleak outlook early on in the crop's potential, margins took a sharp downward dive of 11% from the year previous.

Dry fertilizer sales were solid, considering the tough start to the year. Over 140,000 metric tonnes of fertilizer through direct sales and wholesale were moved throughout the year. We continue to see the benefits of the fertilizer warehouse at the Antelope site and continue to fill the capacity of the facility. Margins held strong as they were on par with last year's results.

In the end, our financial results of the business resulted in $2.8M of profit after tax, an 11% decrease over last year's results. The Board and Management continued to manage cash flows over the year by investing back into the business, paying down debt and declaring dividends. Over $10M was invested into growth projects and maintenance capital along with $2.5M being paid down in long term debt. In June of 2019 and December of 2019, total dividends were accumulated at $0.35/share providing an approximate 1.3% dividend yield. The current ratio has increased slightly to 1.70:1 versus 1.64:1 a year ago and the debt to equity ratio has been lowered to 0.90:1 from 0.98:1 this time last year.

SWT's strong balance sheet allows us to invest back into our business and provide competitive returns to our shareholders. We are positioned to be a progressive, cost-efficient and competitively priced grain handler and retailer of choice for many years to come.

Key developments in 2019/20

In July of 2019, we acquired our 6th crop inputs site located in the town of Kyle, Sk. The acquisition fits nicely into our strategy of maximizing current capacity and expanding the SWT footprint. SWT has a history of working with many of the growers in that area through the origination of grain. Ultimately, having some knowledge of the customer base in that region and the proximity to the Antelope facility were key components to the acquisition.

The site boasts over 6,000 square feet of crop protection storage, 2 stories of office space and over 2,000 metric tonnes of crop nutrient storage.   Along with the physical assets, two employees (Savannah Cheney and Susan Luchsinger) took the jump over to SWT. We are very proud and excited to have these two talented ladies on the SWT team!

Along with the Kyle acquisition, we continued to establish our ever-growing reputation as a consistent and efficient loading location on CP rail's network, with a goal of capturing opportunities in the marketplace. Western Canada's transportation system continues to evolve as governments, grain companies and rail road's look to modernize and increase efficiencies throughout the entire supply chain. We upgraded our 3 tracks to 8500' each to complement the growing grain and fertilizer business. To aid in the strategic intent to grow the existing business by maximizing our assets, the Antelope site now boasts one of the largest rail sidings on CP's network.

The year wouldn't be complete without talking about our involvement in our communities. This year's Sportsman Dinner was held in the community of Wymark. The community reached out to us as their local rink was in need of repairs. We were able to attract Stu Grimson (retired NHL'er) and Derek Taylor (voice of the Riders) to entertain the local crowd. Our participation in the event helped the community raise over $25,000 to go directly to the rink. As well, we were very proud to partner with the community of Cabri and surrounding area by naming the community ice centre "SWT Arena". We have long said that the success of SWT comes from the strength and energy of the communities in which we serve. Being involved so deeply in our communities is the least we can do to give back to those who continue to support and enhance our business.

In conclusion

We have been able to navigate through a wide range of market cycles and weather challenges. That capability is a direct reflection on the talent, ingenuity and hard work of our employees. Their dedication to their craft and to this company is greatly appreciated and does not go unrecognized. We are also very grateful of the support and guidance that the Board of Directors provides us. By holding us accountable to our strategic plan, our goals and objectives continue to be met.

One of the key values we focus on with our employees is wellness. There are many challenges in our world today and many struggles that we all may not see directly. Ensuring the health and safety of each and every employee is something we take very seriously. We are committed to a safe workplace and a safe environment for everyone. For SWT, ensuring that our team goes home safely to their family is our number one priority.

As always, we appreciate your feedback. As a customer, a shareholder, a stakeholder or an employee, we firmly believe in the information you provide us. Do not hesitate to get in touch with us as we will continue to listen and learn from your suggestions. We can't thank you enough for the support and guidance you've provided us. We know that expectations continue to grow and evolve. Rest assured, we will keep providing the service and the products you need to be successful in your own business and to improve your overall investment in SWT.

Thank you for your business,

Monty Reich
General Manager

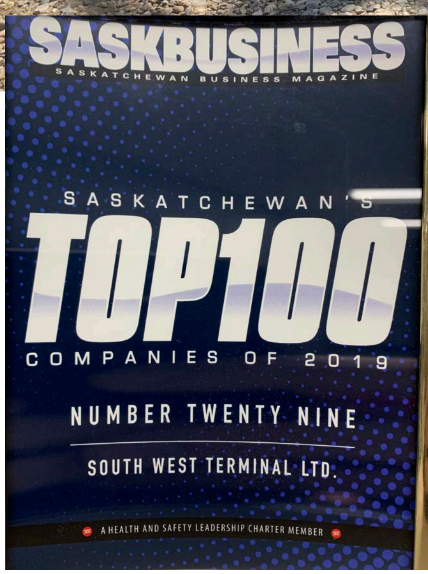
SCBEX

SWIFT CURRENT BUSINESS EXCELLENCE

WINNER OF
LARGE BUSINESS CATEGORY 2019

TOP 100


29
1.888.672.4112
SWT
/SWT
SWTerminal
MERIDIAN


SASKBUSINESS
SASKATCHEWAN BUSINESS MAGAZINE
SASKATCHEWAN'S
TOP100
COMPANIES OF 2019
NUMBER TWENTY NINE
SOUTH WEST TERMINAL LTD.
A HEALTH AND SAFETY LEADERSHIP CHARTER MEMBER

SWT STAFF

BOARD OF DIRECTORS

EXECUTIVE COMMITTEE
Rhett Allison - Chair
Daren Caswell   Jason McNabb
Rhonda Undseth   Roland Monette

POLICY, GOVERNANCE AND NOMINATING COMMITTEE
Rhonda Undseth - Chair
Jason McNabb   Jim Opperman

AUDIT AND FINANCE COMMITTEE
Paul Hazzard - Chair
Roland Monette   Derek Tremere
Nicole Isfjord

RISK COMMITTEE
Blair Louden - Chair
Jim Opperman   Daren Caswell
Blaine Duncan

ITAC REP
Derek Tremere   Jim Opperman

Rhett Allison - Chairman
Rhonda Undseth - President
Daren Caswell - Secretary
Derek Tremere - Director
Blair Louden - Director

Jason McNabb   Vice-Chairman
Roland Monette - Vice-President
Jim Opperman - Director
Paul Hazzard - DIrector
Nicole Isfjord - Cargill

SENIOR LEADERSHIP TEAM

Monty Reich	General Manager
Jeff Kirwan	Crop Inputs Manager
Robert Chapman	Sr Manager, Business Development
Genna Luchenski	Controller
Justin Isherwood	Grain Manager

GRAIN SALES & PROCUREMENT

Layton Getz	Grain Sales Manager
Ron Cote	Farm Marketing Rep - Antelope
Kent Mickleborough	Farm Marketing Rep - Antelope
Julia Stanford	Administrative Assistant
Renee Olson	Administrative Assistant
Crystal Tremain	Administrative Assistant
Denise Reynolds	Grain Merchandising Coordinator
Gord Willison	Country Grain Merchant
Heather Camphaug	Farm Marketing Rep - Cabri
Stacey Gleim	Farm Marketing Rep - Shaunavon

FINANCE & HUMAN RESOURCES

Shannon Friesen	Human Resource Coordinator
Benita McMIllan	Senior Accountant
Jasmin Tian	Lead Accountant
Amber Petersen	Accounting Assistant
Pam Gedny	Administrative Lead

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
Eric Logan	Plant Operator
Felix Ewen-Temoshawsky	Plant Operator
Steven Hughes	Plant Operator
Sam Roosen	Plant Operator
Jaden Christofferson	Plant Operator

HEALTH & SAFETY

Becky Graham	E,H&S Coordinator

MAINTENANCE

Tyler Flynn	Maintenance Operator
Devon Leduc	Maintenance Operator

CROP INPUTS - ANTELOPE

Cheyenne Arntsen	Operations Manager
Rachelle Foster	Sales & Agronomy Manager
Dave Elviss	Farm Marketing Rep
Corinna Gibson	Logistics Coordinator
Carol Meister	Agrologist

FERTILIZER WAREHOUSE

Dalton Ferriss	Assistant Plant Manager
Joel Butts	Plant Operator
Mark Syer	Plant Operator
Travis Retzlaff	Plant Operator

CROP INPUTS - GULL LAKE

Ryan Service	Farm Marketing Rep/Supervisor
Maegan Melvin	Farm Marketing Rep
Kayla Kirwan	Farm Marketing Rep

CROP INPUTS - HAZENMORE

Jeff Dash	Farm Marketing Rep/Supervisor
Brody Loverin	Farm Marketing Rep
Brandon McGillis	Location Assistant
Barb Switzer	Administrative Assistant

CROP INPUTS - SHAUNAVON

Stacey Breen	Farm Marketing Rep/Supervisor
Danny Fehr	Farm Marketing Rep
Craig Bymoen	Location Assistant
Wayne Miller	Location Assistant
Kathy Wilkins	Administrative Assistant

CROP INPUTS - CABRI

Phillip Gossard	Farm Marketing Rep
Moriah Andrews	Farm Marketing Rep
Mike Wicks	Farm Marketing Rep
Gavin Garrett	Location Assistant
Kara Shaw	Administrative Assistant

CROP INPUTS - WYMARK

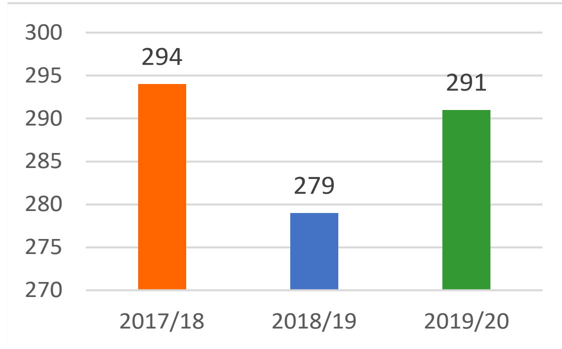
Gregory Gillis	Farm Marketing Rep
Jordan Dykema	Farm Marketing Rep
Brooklyn Haubrich	Farm Marketing Rep
Amanda Kyle	Administrative Assistant

CROP INPUTS - KYLE

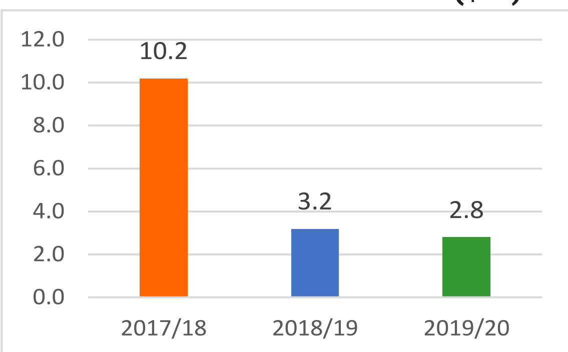
Dawson Tangen	Farm Marketing Rep/Supervisor
Savannah Cheney	Farm Marketing Rep
Ryan Keenleyside	Farm Marketing Rep
Susan Luchsinger	Administrative Assistant

REVENUE & TONNES HIGHLIGHTS 2019-2020

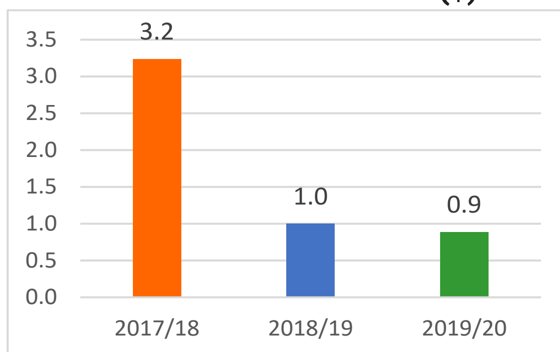
TOTAL GROSS REVENUE ($M)



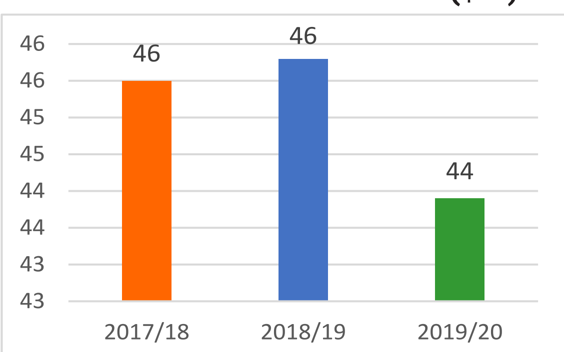
COMPREHENSIVE INCOME ($M)



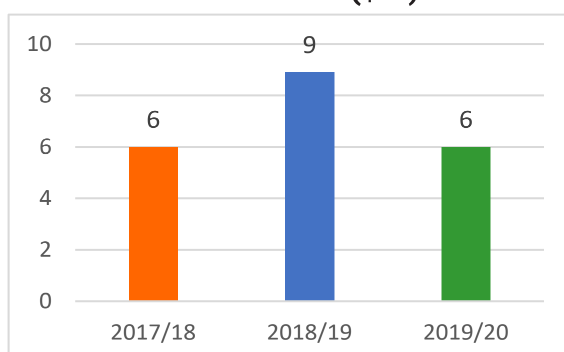
EARNINGS PER SHARE ($)



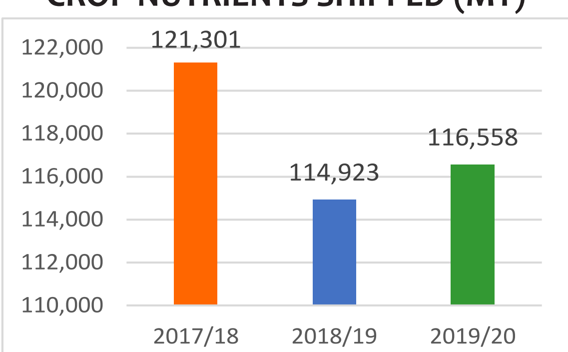
CROP PROTECTION SALES ($M)



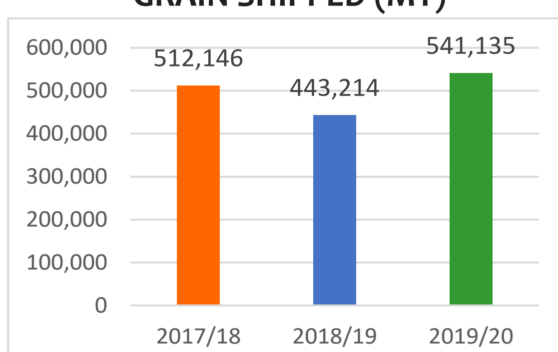
SEED SALES ($M)



CROP NUTRIENTS SHIPPED (MT)



GRAIN SHIPPED (MT)



SOUTH WEST TERMINAL LTD

Consolidated Financial Statements
March 31, 2020 & 2019

Independent auditor's report

To the Shareholders of
South West Terminal Ltd.

Opinion

We have audited the consolidated financial statements of **South West Terminal Ltd.** and its subsidiary [collectively, the "Company"], which comprise the consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

- Management's Discussion & Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants

Saskatoon, Canada
June 19, 2020

South West Terminal Ltd.

Consolidated statements of financial position

As at March 31

	2020 $	2019 $
Assets		
Current		
Cash	**121,530**	-
Accounts receivable *[note 5]*	**19,260,564**	29,859,115
Inventories *[note 6]*	**64,019,321**	65,035,086
Prepaid expenses	**7,987,765**	6,132,865
Income taxes receivable	**392,141**	1,164,400
Risk management assets	**-**	13,124
Total current assets	**91,781,321**	102,204,590
Long-term investments *[note 7]*	**200,200**	200,200
Property, plant and equipment *[note 8]*	**51,099,057**	44,964,185
Goodwill *[note 9]*	**1,408,900**	140,000
Customer list	**100,000**	-
	144,589,478	147,508,975
Liabilities and shareholders' equity		
Current		
Bank indebtedness *[note 10]*	**8,620,000**	38,073,726
Accounts payable and accrued liabilities *[note 11]*	**26,833,285**	10,851,355
Customer deposits	**12,270,380**	7,214,198
Risk management liabilities	**80,292**	-
Current portion of long-term debt *[note 12]*	**5,346,463**	5,784,293
Current portion of lease liability *[note 13]*	**786,665**	501,915
Total current liabilities	**53,937,085**	62,425,487
Long-term debt *[note 12]*	**10,196,296**	6,352,801
Risk management liabilities *[note 12]*	**160,159**	70,388
Lease liability *[note 13]*	**-**	786,665
Deferred income taxes *[note 14]*	**4,116,868**	3,352,191
Deferred revenue *[note 15]*	**253,503**	290,457
Total liabilities	**68,663,911**	73,277,989
Contingencies *[note 21]*		
Shareholders' equity		
Share capital *[note 17]*	**182,690**	182,690
Retained earnings	**75,742,877**	74,048,296
Total shareholders' equity	**75,925,567**	74,230,986
	144,589,478	147,508,975

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

	2020 $	2019 $
Revenue *[notes 18, 22 & 23]*	**291,099,416**	278,824,725
Cost of sales *[notes 22 & 23]*	**272,167,150**	260,198,299
Gross profit	**18,932,266**	18,626,426
Expenses		
Depreciation	**3,393,455**	3,073,247
Gain on sale of property, plant and equipment	**(75,543)**	-
General and administrative	**10,476,513**	10,022,593
Interest on long-term debt and bank indebtedness	**1,227,570**	1,207,977
Unrealized loss on risk management liabilities	**89,771**	64,091
	15,111,766	14,367,908
Income before income taxes	**3,820,500**	4,258,518
Income taxes *[note 19]*		
Current	**255,837**	815,016
Deferred	**764,677**	291,639
	1,020,514	1,106,655
Total income and comprehensive income for the year	**2,799,986**	3,151,863
Basic and diluted income per share *[note 20]*	**0.89**	1.00

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, 2018	182,690	73,675,737	**73,858,427**
Total income and comprehensive income for the year	-	3,151,863	**3,151,863**
Dividends	-	(2,779,304)	**(2,779,304)**
Balance, March 31, 2019	182,690	74,048,296	**74,230,986**
Total income and comprehensive income for the year	-	2,799,986	**2,799,986**
Dividends	-	(1,105,405)	**(1,105,405)**
Balance, March 31, 2020	**182,690**	**75,742,877**	**75,925,567**

See accompanying notes

South West Terminal Ltd.

Consolidated statements of cash flows

Years ended March 31

	2020	2019
	$	$
Operating activities		
Total income and comprehensive income for the year	**2,799,986**	3,151,863
Add (deduct) items not involving cash		
Depreciation	**3,393,455**	3,073,247
Deferred income taxes	**764,677**	291,639
Gain on sale of property, plant and equipment	**(75,543)**	-
Unrealized loss on risk management liabilities	**89,771**	64,091
	6,972,346	6,580,840
Net change in non-cash working capital balances		
Accounts receivable	**10,598,551**	(16,083,653)
Inventories	**1,144,739**	(1,440,783)
Prepaid expenses	**(1,854,900)**	566,540
Income taxes receivable	**772,259**	53,524
Risk management assets	**13,124**	394,408
Accounts payable and accrued liabilities	**15,981,930**	(3,038,872)
Customer deposits	**5,056,182**	(3,178,559)
Risk management liabilities	**80,292**	-
Deferred revenue	**(36,954)**	(39,953)
Cash provided by (used in) operating activities	**38,727,569**	(16,186,508)
Investing activities		
Purchase of property, plant and equipment	**(5,414,908)**	(1,763,254)
Proceeds on disposal of property, plant and equipment	**133,810**	-
Purchase of crop inputs business	**(5,669,560)**	-
Cash used in investing activities	**(10,950,658)**	(1,763,254)
Financing activities		
(Repayment) proceeds of bank indebtedness	**(29,453,726)**	22,163,582
Repayment of long-term debt	**(2,094,335)**	(1,938,148)
Proceeds of long-term debt	**5,500,000**	-
Repayment of lease liability	**(501,915)**	(489,682)
Dividends	**(1,105,405)**	(2,779,304)
Cash (used in) provided by financing activities	**(27,655,381)**	16,956,448
Net increase (decrease) in cash during the year	**121,530**	(993,314)
Cash, beginning of year	**-**	993,314
Cash, end of year	**121,530**	-

Supplemental disclosure of cash flow information		
Interest paid	**1,234,235**	1,204,942
Income taxes (recovered) paid	**(576,888)**	760,989

See accompanying notes

Notes to consolidated financial statements

March 31, 2020 and 2019

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, Cabri, Hazenmore, Kyle, Shaunavon and Wymark, 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 19, 2020.

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 26, 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.

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.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use ["ROU"] assets representing the right to use the underlying assets.

3. Summary of significant accounting policies [continued]

Right-of-use assets

ROU assets are initially and subsequently measure at cost, which comprises:
- The amount recognized for the lease obligation on initial measurement;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Company; and
- An estimate of costs to be incurred by the Company in restoring the underlying asset to the condition required by the terms and conditions of the lease.

ROU assets are depreciated on a straight-line bases over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Company's major categories of leased assets are its building and related equipment and office furniture.

The ROU assets are also subject to impairment consistent with the impairment policy as described in the property, plant and equipment policy above.

Lease liabilities

Lease liabilities are initially and subsequently measured at the present value of the lease payments which are unpaid as of the commencement date. The future lease payments are discounted using the interest rate implicit in the lease, if readily determinable. If not readily determinable, the Company's incremental borrowing rate is used, which is the rate to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset. After the commencement date, the carrying amount of lease obligations are remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Adjustments to the carrying amount of the lease obligation as a result of remeasurement are accounted for as a corresponding adjustment to the ROU asset.

Lease payments comprise the following payments:
- Fixed payments (including in substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Lease payments are allocated to general and administrative expense, calculated using the effective interest method, and a reduction of the lease obligation.

Short-term and low value asset leases

Short-term leases include arrangements where the lease term is 12 months or less and do not contain a purchase option. Low value assets for the Company include items such as office equipment. Such leases are expensed on a straight-line basis over the lease term.

3. Summary of significant accounting policies [continued]

Goodwill

Goodwill is recorded at cost, less any accumulated impairment losses. Goodwill represents the excess of the purchase price over the net identifiable assets acquired as part of the purchase of the Hazenmore and Kyle, 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 units are the crop inputs facilities located in Hazenmore and Kyle, Saskatchewan. Impairment is tested annually or more frequently when there is indication that the unit may be impaired. At March 31, 2020, there is no impairment on this goodwill.

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

Revenue recognition

The Company principally generates revenue through two main streams; crop inputs and grain handling.

Crop inputs consist of the sale of crop input products and services associated with meeting the customers unique needs. Each promised good or service is accounted for separately as a performance obligation if it is distinct and revenue is recognized when performance obligations are fulfilled. For the sale of crop input products, revenue is recognized at the point in time when the goods are transferred to the customer which is upon delivery of goods. For other services revenue, the revenue is recognized over the time that the service is provided to the customer. Revenue is measured based on the transaction price specified in the contract with the customer.

Grain handling activities principally include buying and selling grain through forward contracts or contracts at current market value for immediate delivery. Revenue from contracts with customers are recognized at the point in time when control of products have been transferred to the customer, which is when the related goods are loaded for shipping or delivered to the customer, depending on the contractual terms. Indicators of transfer of control depend on the contractual terms with the Company's customers and includes when the customer is obliged to pay for the products, has legal title of the products, has physical possession of the products, has assumed the significant risks and rewards of ownership of the products, has accepted the products and any other relevant factors.

Grain revenue is measured based on the consideration specified in a contract with a customer which reflects the consideration the Company expects to be entitled to in exchange for the goods, net of any variable consideration. The contractual consideration for grain contracts may include variable components specified in the contract with the customer related to destination grade or weight adjustments which are known in a timely fashion and included in the initial revenue recognition based on change of control as described above.

No significant element of financing is deemed present due to the short-term nature of the Company's sales contracts.

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.

3. Summary of significant accounting policies [continued]

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.

Financial asset impairment

The Company recognizes an allowance for expected credit losses ["ECLs"] for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures, for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures, for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. Summary of significant accounting policies [continued]

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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ["OCI"], and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ["SPPI"]' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result form collecting contractual cash flows, selling the financial asset, or both.

Purchases or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost
- Financial assets at fair value through OCI ["FVOCI"] with recycling of cumulative gain and losses (debt instrument)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instrument)
- Financial assets at fair value through profit or loss ["FVTPL"]

3. Summary of significant accounting policies [continued]

Financial assets [continued]

Financial assets at amortized cost

The Company has classified cash and accounts receivable at amortized cost.

The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount owing.

Financial assets at amortized cost are subsequently measured using the effective interest ["EIR"] method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is unrecognized, modified or impaired.

Financial assets at fair value through OCI (debt instrument)

The Company has not classified any financial asset as fair value through OCI (debt instrument).

The Company measures financial assets at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and,
- The contractual term of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount owing.

For financial assets at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measure at amortized cost. The remaining fair value changes are recognized in OCI, upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit of loss.

Financial assets at fair value through OCI (equity instrument)

The Company has not classified any financial asset as fair value through OCI (equity instrument).

Upon initial recognition, the Company can elect to classify irrevocably its equity investment as equity investments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits form such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

3. Summary of significant accounting policies [continued]

Financial assets [continued]

Financial assets at fair value through profit or loss

The Company has classified grain purchase contracts and sales contracts which are included in inventories, risk management assets, and long-term investment as fair value through profit or loss.

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Not withstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Company has not irrevocably elected to classify at fair value through OCI. Dividends on equity instruments are recognized as other income in the statement of profit and loss when the right of payment has been established.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include bank indebtedness, accounts payable and accrued liabilities, risk management liabilities, and long-term debt.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

The Company has classified risk management liabilities at fair value through profit or loss.

Financial liabilities measured at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date or recognition, and only if the criteria in IFRS 9 are satisfied.

3. Summary of significant accounting policies [continued]

Financial liabilities [continued]

Loans and borrowings

The Company has designated bank indebtedness, accounts payable and accrued liabilities and long-term debt as loans and borrowings.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are unrecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

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 of asking prices in an active market. In the absence of an active market, the Company determines fair value based on internal or external valuation models, such as discounted cash flow analysis or using observable market based inputs (bid and ask price) for instruments with similar characteristics and risk profiles.

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

Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices in active markets (from level 1) that are observable for the asset or liability, either directly or indirectly; and,

Level 3: Valuation techniques that include significant unobservable inputs.

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

3. Summary of significant accounting policies [continued]

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
Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for ECLs is provided where considered necessary. The Company uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

[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.

[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.

3. Summary of significant accounting policies [continued]

[f] Impairment of financial assets
Management evaluates financial assets for impairment by considering the extent that changes in facts, circumstances or assumptions of the financial asset has changed resulting in potential impairment.

[g] 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.

[h] Assessment of crop inputs product returns
In order to estimate the transaction price for goods with a right of return, management must estimate the amount of product returns that are expected to occur. Due to a history of low historical returns in the crop input products division, product returns are estimated to be nil.

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 consolidated financial statements. The significant changes to the standards are as follows:

- Amendments to IFRS 3 Definition of a Business: In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

- Amendments to IAS 1 and IAS 8 Definition of Material: In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments become effective for annual periods beginning on or after January 1, 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

4. Adoption of new accounting policies

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

IFRS 16 Leases

The Company adopted IFRS 16 using the modified retrospective method, which in the Company's case resulted in prospective application as there was no impact to opening retained earnings on transition.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'finance leases' under the principles of IAS 17 Leases.

The carrying amount of the right-of-use assets and lease liabilities is remeasured if there is a modification of the lease, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to exercise a purchase, extension or termination option.

The assets leased by the Company during the period consist of its building and related equipment and office furniture.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standards:

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and,
- recognition exemptions for low-value leases

The adoption of IFRS 16 had no effect on the consolidated financial statements, as at and for the year ended March 31, 2020.

5. Accounts receivable

	2020	**2019**
	$	$
Trade and other receivables	**19,472,671**	29,859,115
Allowance for doubtful accounts	**(212,107)**	-
	19,260,564	29,859,115

	$	$
Current	**15,120,543**	24,582,267
30 days	**120,097**	1,477,099
60 days	**10,131**	1,053,018
Over 90 days	**4,221,900**	2,746,731
Allowance for doubtful accounts	**(212,107)**	-
	19,260,564	29,859,115

The Company's receivables have been pledged as security for the operating line of credit under the general security agreement as disclosed in note 10.

Notes to consolidated financial statements

March 31, 2020 and 2019

6. Inventories

	2020 $	2019 $
Crop inputs	**50,709,665**	54,158,885
Grain	**13,309,656**	10,876,201
	64,019,321	65,035,086

The amount of inventory expensed and included in cost of sales is $246,183,379 [2019 - $236,707,198].

The Company's inventories have been pledged as security for the operating line of credit under the general security agreement as disclosed in note 10.

7. Long-term investments

	2020 $	2019 $
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

8. Property, plant and equipment

Cost:

	Balance at March 31, 2018 $	Additions $	Balance at March 31, 2019 $	Additions and disposals $	Balance at March 31, 2020 $
Buildings	23,315,517	668,396	23,983,913	2,353,613	**26,337,526**
Cleaners	1,729,934	466,636	2,196,570	8,490	**2,205,060**
Computer hardware and software	1,242,761	33,689	1,276,450	50,425	**1,326,875**
Entrance roads	1,427,288	-	1,427,288	7,862	**1,435,150**
Equipment	4,176,949	144,559	4,321,508	121,507	**4,443,015**
Office furniture and equipment	938,540	16,276	954,816	40,361	**995,177**
Plant equipment	19,421,607	24,289	19,445,896	1,806,369	**21,252,265**
Railway siding	7,180,244	113,202	7,293,446	4,716,226	**12,009,672**
Terminal	5,925,596	-	5,925,596	-	**5,925,596**
Vehicles	1,526,481	296,207	1,822,688	93,082	**1,915,770**
	66,884,917	1,763,254	68,648,171	9,197,935	**77,846,106**
Land	411,010	-	411,010	100,000	**511,010**
	67,295,927	1,763,254	69,059,181	9,297,935	**78,357,116**

Notes to consolidated financial statements

March 31, 2020 and 2019

8. Property, plant and equipment [continued]

Accumulated depreciation:

	Balance at March 31, 2018	Depreciation	Balance at March 31, 2019	Depreciation and disposals	Balance at March 31, 2020
	$	$	$	$	$
Buildings	4,151,520	950,371	5,101,891	1,008,874	**6,110,765**
Cleaners	1,352,023	118,207	1,470,230	147,271	**1,617,501**
Computer hardware and software	1,208,218	29,518	1,237,736	15,573	**1,253,309**
Entrance roads	451,481	70,962	522,443	71,561	**594,004**
Equipment	2,929,241	370,451	3,299,692	555,099	**3,854,791**
Office furniture and equipment	347,995	88,916	436,911	78,498	**515,409**
Plant equipment	4,195,110	745,704	4,940,814	780,301	**5,721,115**
Railway siding	2,260,333	358,576	2,618,909	369,794	**2,988,703**
Terminal	3,021,927	148,140	3,170,067	148,140	**3,318,207**
Vehicles	1,103,901	192,402	1,296,303	(12,048)	**1,284,255**
	21,021,749	3,073,247	24,094,996	3,163,063	**27,258,059**

Carrying amount:

	March 31, 2020	March 31, 2019
	$	$
Buildings	**20,226,761**	18,882,022
Cleaners	**587,559**	726,340
Computer hardware and software	**73,566**	38,714
Entrance roads	**841,146**	904,845
Equipment	**588,224**	1,021,816
Office furniture and equipment	**479,768**	517,905
Plant equipment	**15,531,150**	14,505,082
Railway	**9,020,969**	4,674,537
Terminal	**2,607,389**	2,755,529
Vehicles	**631,515**	526,385
	50,588,047	44,553,175
Land	**511,010**	411,010
	51,099,057	44,964,185

Included in buildings, equipment and office furniture and equipment are ROU assets with a net book value of $1,660,739, $104,337, and $57,442, respectively. During the year the Company expensed depreciation related to these three classes of ROU assets of $107,144, $34,779 and $19,147, respectively.

9. Goodwill

The Company performed its annual impairment test in March 2020. The recoverable amount is determined based on a value in use calculation using cash flow projections covering a five year period. There are a number of key assumptions used within the value in use calculation including, a pre-tax discount rate applied to cash flow projections of 15.0%, cash flows are extrapolated using a 4.0% growth rate and expected gross margins of 12.6%.

10. Bank indebtedness

The Company has available to it, an RBC operating line of credit with an authorized limit of $40,000,000 [2019 - $40,000,000], bearing interest at prime and secured by accounts receivable, inventories and a general security agreement. $8,620,000 [2019 - $32,995,000] 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 [2019 - $13,000,000], 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 $40,000,000.

At March 31, 2020, the RBC prime lending rate was 2.45% [2019 - 3.95%] and the RBC USD prime lending rate was 3.25% [2019 - 5.50%].

The Company also has available to it, an FCC advancer loan with an authorized limit of $12,000,000 [2019 - $6,000,000], bearing interest at prime plus 0.80%, which was 3.25% at March 31, 2020, and secured by land and a general security agreement. $nil [2019 - $4,500,000] of this advancer loan was being utilized at year-end.

11. Accounts payable and accrued liabilities

	2020 $	2019 $
Trade accounts payable	**20,196,558**	6,896,206
Accrued and other liabilities	**6,636,727**	3,955,149
	26,833,285	10,851,355

12. Long-term debt

	2020 $	2019 $
4.7% Farm Credit Canada term loan, repayable in blended monthly instalments of $42,525, secured by land, building and a general security agreement, due January 2027	**5,458,860**	-
4.5% Farm Credit Canada term loan, repayable in blended monthly instalments of $71,773, secured by land and a general security agreement, due June 2025	**4,024,875**	4,689,468
Scotiabank Bankers' Acceptance, with interest bearing at the option of Bankers' Acceptance rate, plus 1% or Scotiabank prime, repayable in monthly instalments of $58,350, plus interest, secured by a general security agreement, due October 2020	**3,732,400**	4,490,950
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	**2,326,624**	2,956,676

	15,542,759	12,137,094
Less current portion	**5,346,463**	5,784,293
	10,196,296	6,352,801

At March 31, 2020, the Scotiabank prime lending rate was 2.45% [2019 - 3.95%] and the Bankers' Acceptance Rate was 1.02% [2019 - 1.82%].

The Company has entered into interest rate swaps to manage risk over the variable portion of the term loans. A risk management liability of $106,159 [2019 - $70,388] has been recorded at year end representing the fair value of the swaps.

Estimated principal repayments are as follows:

	$
2021	5,346,463
2022	1,690,821
2023	1,771,232
2024	1,339,494
2025	1,143,804

13. Lease liability

	2020 $	**2019** $
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 $1,822,518	**786,665**	1,288,580
Less current portion	**786,665**	501,915
	-	786,665

Lease liability as at March 31, 2020 will mature as follows:

	$
2021	786,665

At March 31, 2020, the thirty day Scotiabank Bankers' Acceptance rate was 1.02% [2019 - 1.82%].

Cash payments related to recognized lease liabilities amounted to $566,924 [2019 - $570,946] consisting of $38,021 [2019 - $54,108] in interest, $501,915 [2019 - $489,682] in principal payments and $26,988 [2019 - $27,156] of GST.

Lease expenses relating to short-term leases amounted to $3,379 and were recorded as general and administrative expenses.

14. Deferred income taxes

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

	2020 $	2019 $
Property, plant and equipment	**3,833,220**	3,164,723
Goodwill and intangible assets	**47,211**	18,821
Risk management liabilities	**(43,243)**	(19,005)
Lease liability	**279,680**	187,652
	4,116,868	3,352,191

The amount of deferred income tax liabilities incurred and included in income taxes is $764,677 [2019 - $291,639].

15. Deferred revenue

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.

16. 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, 2020 $	March 31, 2019 $
a) Share of joint operation's statement of financial position		
Buildings at cost, less accumulated amortization of $33,876 [2019 - $31,214]	**32,661**	35,323
Equipment at cost, less accumulated amortization of $58,156 [2019 - $51,520]	**1,781**	8,417
b) Share of joint operations revenue and expenses		
Revenue	**-**	-
Expenses	**767**	948

Notes to consolidated financial statements

March 31, 2020 and 2019

17. Share capital

Authorized
Unlimited Class A 10% voting, non-cumulative, non-participating, preferred shares, convertible to Class B
Unlimited Class B voting, participating, common shares
Unlimited Class C non-voting, participating, common shares

Issued

		2020 $	2019 $
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 18, 2019 and January 15, 2020, the Company paid dividends on the Class B and Class C shares in the amount of $0.10 and $0.25 per share respectively, for a total of $1,105,405 by way of cash payment. On July 19, 2018 and January 15, 2019, the Company paid dividends on the Class B and Class C shares in the amount of $0.50 per share and $0.38 per share respectively, for a total of $2,779,304 by way of cash payment.

18. Revenue

During the year, the Company recognized revenue from the following sources:

	2020 $	2019 $
Grain handling	**177,473,038**	156,025,613
Fertilizer sales	**63,802,241**	68,102,939
Chemical sales	**43,873,765**	45,816,955
Seed sales	**5,950,372**	8,879,218
	291,099,416	278,824,725

During the year, the Company earned 32% [2019 - 33%] of its revenues from two customers within the grain handling segment.

19. Income taxes

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

	2020 $	2019 $
	27.00%	27.00%
Anticipated income tax	**1,031,535**	1,149,800
Tax effect of the following:		
Saskatchewan manufacturing and processing profits tax reduction	**(17,888)**	(50,765)
Non-deductible expenses	**6,867**	7,620
Income tax expense	**1,020,514**	1,106,655

20. 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, 2020 is 3,158,300 [2019 - 3,158,300].

			2020
	Total income and comprehensive income	**Weighted average common shares**	**Income per share**
	$	$	$
Basic and dilutive	**2,799,986**	**3,158,300**	**0.89**

			2019
	Total income and comprehensive income	**Weighted average common shares**	**Income per share**
	$	$	$
Basic and dilutive	3,151,863	3,158,300	1.00

21. Contingencies

At year end, the Company held 3,972 [2019 - 3,395] tonnes of grain inventory, with a value of $1,218,873 [2019 - $897,069], 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.

22. 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 $938,784 [2019 - $1,000,739].

During the year, services with a value of $99,007 [2019 - $140,059] were expensed in these consolidated financial statements that related to services provided to the Company by the Board of Directors. Also, the Company purchased 8,750 [2019 - 3,816] tonnes of grain from directors with an aggregate value of $2,359,274 [2019 - $1,408,169] and directors and key management personnel purchased crop inputs in the amount of $2,330,293 [2019 - $2,047,285].

During the year, the Company made sales of grain and received other income from Cargill, a shareholder, in the amount of $64,122,498 [2019 - $50,724,773] and made purchases of product and services in the amount of $26,640,345 [2019 - $37,525,781] from Cargill. Included in accounts payable is $10,959,631 [2019 - $485,980] due to Cargill.

These transactions are in the normal course of operations.

Notes to consolidated financial statements

March 31, 2020 and 2019

23. Segment information

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

a) Grain handling
This segment consists of the buying, cleaning, blending and selling grain.

b) Crop inputs
This segment consists of sales of fertilizer, crop protection products, seed and seed treatments.

2020

	Grain handling $	Crop inputs $	Total $
Revenues	**177,473,038**	**113,626,378**	**291,099,416**
Cost of sales	**169,941,286**	**102,225,864**	**272,167,150**
Gross profit	**7,531,752**	**11,400,514**	**18,932,266**
Depreciation	**(1,186,710)**	**(2,206,745)**	**(3,393,455)**
Gain on sale of property, plant, and equipment	**-**	**75,543**	**75,543**
Profit before shared expenses	**6,345,042**	**9,269,312**	**15,614,354**
General and administrative			**(10,476,513)**
Interest on long-term debt and bank indebtedness			**(1,227,570)**
Unrealized gain on risk management liabilities			**(89,771)**
Income taxes			**(1,020,514)**
Total income and comprehensive income			**2,799,986**
Net property, plant and equipment additions	**4,919,135**	**4,609,192**	**9,528,327**
Total assets	**37,134,762**	**107,454,716**	**144,589,478**
Property, plant and equipment	**19,709,243**	**31,389,814**	**51,099,057**
Goodwill and intangible assets	**-**	**1,508,900**	**1,508,900**

2019

	Grain handling $	Crop inputs $	Total $
Revenues	156,025,613	122,799,112	278,824,725
Cost of sales	149,398,334	110,799,965	260,198,299
Gross profit	6,627,279	11,999,147	18,626,426
Depreciation	(1,085,336)	(1,987,911)	(3,073,247)
Profit before shared expenses	5,541,943	10,011,236	15,553,179
General and administrative			(10,022,593)
Interest on long-term debt and bank indebtedness			(1,207,977)
Unrealized gain on risk management liabilities			(64,091)
Income taxes			(1,106,655)
Total income and comprehensive income			3,151,863
Net property, plant and equipment additions	1,280,946	482,308	1,763,254
Total assets	37,909,400	109,599,575	147,508,975
Property, plant and equipment	15,976,818	28,987,367	44,964,185
Goodwill and intangible assets	-	140,000	140,000

24. 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.

	2020	**2019**
	$	$
Bank indebtedness	**8,620,000**	38,073,726
Current portion of long-term debt	**5,346,463**	5,784,293
Current portion of lease liability	**786,665**	501,915
Long-term debt	**10,196,296**	6,352,801
Lease liability	**-**	786,665
Shareholders' equity	**75,925,567**	74,230,986
	100,874,991	125,730,386

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, 2020, the Company complied with all financial covenants and externally-imposed capital requirements.

25. 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, 2020 was $212,107 [2019 - $nil].

The Company has a concentration of risk related to three customers who make up 23% [2019 - one customer for 25%] of its accounts receivable balance at March 31, 2020.

Currency risk

The Company is exposed to currency risk as a certain portion of sales and expenses are incurred in US 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 2020, a net foreign exchange gain of $218,812 [2019 - $75,036] was recognized in total comprehensive income.

25. Financial instrument risk management [continued]

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 lease liability, which bear interest at fixed and floating interest rates.

A 1% change in interest rates relating to the bank indebtedness, long-term debt and lease liability of the Company would increase or decrease interest expense by approximately $249,000 [2019 - $509,000]. 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 lease liability from a floating to a fixed rate of interest. At March 31, 2020, there were two interest rate swaps outstanding, for a total notional amount of $4,460,715 [2019 - $5,662,830], 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 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, 2020, resulted in the recognition of a risk management liability of $80,292 [2019 - asset of $13,124].

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	$34,714,207
3 - 12 months	$19,222,827
1 - 5 years	$10,356,455

26. 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:

Cash and accounts receivable is classified as financial instruments at amortized cost which approximates fair value. Bank indebtedness, accounts payable and accrued liabilities and long-term debt are classified as loans and borrowings 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 financial assets at fair value through profit or loss.

Risk management assets consist of exchange-traded derivatives. They are classified as financial assets at fair value through profit or loss.

Risk management liabilities consist of interest rate swaps and exchange-traded derivatives. They are classified as financial liabilities at fair value through profit or loss 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. The grain purchase and sales contracts are classified as financial assets at fair value through profit or loss and the fair value for them and grain inventories 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.

26. Classification and fair value of financial instruments and inventories [continued]

March 31, 2020

	Level 1 $	Level 2 $	Level 3 $
Grain inventories	**-**	**13,171,613**	-
Grain purchase and sales contracts	**-**	**138,043**	-
Long-term investments	**-**	-	**200,200**
Risk management liabilities	**80,292**	**160,159**	-

March 31, 2019

	Level 1 $	Level 2 $	Level 3 $
Grain inventories	-	11,526,618	-
Grain purchases and sales contracts	-	(650,417)	-
Risk management assets	13,124	-	-
Long-term investments	-	-	200,200
Risk management liabilities	-	70,388	-

27. Business combination

On July 8, 2019, the Company purchased specific assets in Kyle, Saskatchewan in exchange for cash considerations. The Company acquired this location to expand its crop inputs business. This acquisition meets the definition of a business and as a result is accounted for as a business combination, and accordingly, the consideration paid will be allocated to the net assets acquired based on their acquisition date fair values and the excess of the purchase price over the fair value of the net assets acquired will be recorded as goodwill.

	Fair value recognized on acquisition $
Assets	
Inventory	128,974
Property, plant and equipment	4,171,686
Customer list	100,000
Total identifiable net assets at fair value	4,400,660
Goodwill arising on acquisition	1,268,900
Purchase consideration transferred	5,669,560

The goodwill of $1,268,900 comprises the fair value of expected synergies arising from acquisition and relates entirely to the business in Kyle, Saskatchewan. All of the intangibles recognized are expected to be deductible for tax purposes.

Notes to consolidated financial statements

March 31, 2020 and 2019

28. Subsequent events

Subsequent to year end, the Company received loan proceeds of $2,500,000 related to a new Farm Credit Canada term loan.

Also, Coronavirus, or COVID-19, has spread throughout the world and was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted globally in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results, however management's initial assessment is that it will not have a significant impact.

SOUTH WEST TERMINAL LTD

Management's Discussion & Analysis
March 31, 2020 & 2019

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, 2020 and should be read in conjunction with SWT's audited consolidated financial statements and related notes thereto for the year ended March 31, 2020. The audited 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 19, 2020. All amounts are in Canadian dollars unless otherwise stated.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

Additional information relating to the Company is available on SEDAR.

1. HIGHLIGHTS OF THE TWELVE MONTHS

- EBITDA was $8,441,525 for the twelve months ended March 31, 2020 as compared to $8,539,742 for the prior year's twelve months ended March 31, 2019
- Gross profit was $18,932,266 for the twelve months ended March 31, 2020 as compared to $18,626,426 for the prior year's twelve months ended March 31, 2019
- Shipped 541,135 metric tonnes of grain, an increase of 97,921 compared with the same period in the previous fiscal year
- Shipped 116,558 metric tonnes of granular fertilizer, an increase of 1,635 metric tonnes compared with the same period in the previous fiscal year
- Sold $43,873,765 of crop protection products, a decrease of $1,943,190 compared with the same period in the previous fiscal year
- Net income was $2,799,986 for the twelve months ended March 31, 2020 as compared to $3,151,863 for the prior year's twelve months ended March 31, 2019
- Earnings per share were $0.89 for the twelve months ended March 31, 2020 as compared to $1.00 for the prior year's twelve months ended March 31, 2019

2. BUSINESS OUTLOOK

Global markets for commodities like durum and pulse crops have been challenging for the industry, but more specifically in the southern Saskatchewan region. Reasons such as oversupply, non-tariff trade barriers, import duties and local marketplaces increasing their own production have suppressed grower and industry margins. Adequate moisture in the SWT marketplace has been minimal since the spring of 2017, resulting in dry conditions the past three growing seasons. Adding to the fact that yields have been lowered and commodity prices have been slipping, crop nutrient prices have continued to increase. SWT will continue its efforts of providing efficient, fast and economical operations to ensure long term sustainability within margin compressed times.

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 most recent expansion into Kyle and recent expansion to Wymark will need to be strategically focused on to ensure maximization of those marketplaces. Other than those specific regions, management believes the current SWT footprint has reached its market capacity.

With all of the geo-political issues in the world currently, there are challenges from an overall 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 Saskatchewan government is highly supportive of exports out of the province and continues to support the industry from a local and global standpoint.

The competition is positioned well on the prairies and continues to change its shape through consolidation and modernization. The largest risk in the macro environment is the potential for increased presence from the larger companies. However, the perceived strategy of many of SWT's competitors is to establish a presence in the largely populated centers 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

2. BUSINESS OUTLOOK (continued)

Canola and Red Lentils, 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.

3. 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 input, 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. Refer to section 11 "Use of non-IFRS term and reconciliation" for a reconciliation of EBITDA to net income.

The accounting policies used within each segment are consistent with the policies outlined in the notes to SWT's March 31, 2020 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.

3.1 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, 2020**	**Year Ended March 31, 2019**	
	(Audited)	**(Audited)**	**(Change)**
Revenue	177,473,038	156,025,613	21,447,425
Cost of Sales	(169,941,286)	(149,398,334)	(20,542,952)
Gross Profit	7,531,752	6,627,279	904,473
Unrealized gain/(loss) on Risk Management Liabilities	(12,782)	(37,634)	24,852
EBITDA(3)	3,774,796	2,543,561	1,231,235
Total MT Invoiced	541,135	443,214	97,921
Gross Profit per MT	13.92	14.95	(7%)
EBITDA per MT(3)	6.98	5.74	22%

(1) See tables on consolidated semi-annual financial results
(2) Certain estimates and assumptions were made by Management in the determination of segment composition

3.1 Grain Handling (continued)

(3) EBITDA is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, it may not be comparable to similar measures reported by other companies. Refer to section 11 "Use of non-IFRS term and reconciliation".

Total revenue from grain handling for the twelve-month period ended March 31, 2020 was $177,473,038, an increase of $21,447,425 compared with the prior period. The Company shipped 541,135 (2019 – 443,214) metric tonnes at lower average prices than the same period in the prior fiscal year, but significant increase in durum shipments has resulted in higher grain revenue. The average price of grain shipped was $328 per metric ton as compare to $352 per metric ton in the prior period.

The Company's grain handling revenue follows the fluctuation associated with market demand and the ability to match product quality to the available market sales. The fluctuation in demand for grain are typically consistent throughout the period limited by sales opportunity, product quality, world product demand and rail capacity. SWT works closely with growers and end users in order to execute sales. There are many moving parts in executing a sale, as the Company must be able to secure grain from growers in a timely fashion to minimize price exposure and must have grain in the elevator in order to meet the shipping requirements of railroad and end user. The Company continued to make concerted efforts to buy grain from growers in order to meet and exceed sales targets. The Company has secured relationship with end users who are continually looking for the quality SWT is able to provide in its shipments. As well, a strong relationship has been formed with the CP rail to ensure ample car supply to match sales and to ensure the consistent transportation of grain.

Durum continued to be an important commodity to the business, as its increase in shipments by 64,608 metric tonnes was due to a larger crop in 2019 versus a smaller crop in 2018. Late rains in the summer of 2019 resulted in unpredicted yields which increased stocks available for export. Other commodities experienced modest gains during the period such as canola shipments which increased by 15,184 metric tonnes.

Cost of sales increased in the most recently completed period by $20,542,952 and was directly correlated with the increased revenue. Dry conditions with three consecutive average to below average yields and lower global commodity prices contributed to the lower margins as grain buyers competed to fulfill orders on smaller crops and weaker demand.

3.2 Crop Inputs

The crop inputs segment represents the retail and warehousing business of SWT in the retailing of crop protection products, bulk and bagged seed along with granular and liquid fertilizer. This segment represents the six retail arms of SWT's business (Gull Lake, Hazenmore, Cabri, Shaunavon, Wymark and Kyle) and enables the business to become closer the grower and support the grain business by directing grain products to the main facility at Gull Lake.

3.2 Crop Inputs (continued)

Selected Results by Reporting Segment (1) (2) (All amounts are in $CAD except-Tonnes)	Year Ended March 31, 2020 (Audited)	Year Ended March 31, 2019 (Audited)	(Change)
Revenue	113,626,378	122,799,112	(9,172,734)
Cost of Sales	(102,225,864)	(110,799,965)	8,574,101
Gross Profit	11,400,514	11,999,147	(598,633)
Unrealized gain/(loss) on Risk Management liabilities	(76,989)	(26,457)	(50,532)
EBITDA(3)	4,666,729	5,996,181	(1,329,452)
Operating Highlights			
Seed Sales	5,950,372	8,879,218	(33%)
Crop Nutrient Sales	63,802,241	68,102,939	(6%)
Crop Protection Sales	43,873,765	45,816,955	(4%)

(1) See tables on consolidated semi-annual financial results
(2) Certain estimates and assumptions were made by Management in the determination of segment composition
(3) EBITDA is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, it may not be comparable to similar measures reported by other companies. Refer to section 11 "Use of non-IFRS term and reconciliation".

Total revenue for crop inputs for the period ended March 31, 2020 was $9,172,734 less than in the prior period. The key contributing factor to the decrease in total revenue was the decrease in seed sales and a lower fertilizer prices. Crop nutrient commodity prices fell in the summer of 2019 and remained flat until the spring of 2020. In prior years, the market has decreased during the summer fill season as a means to reduce manufacturer inventory and then ratchet up throughout the winter and into spring as demand increases. With increased manufacturer inventories in North America and global over production, sales prices decreased from the year previous year. Even with a lower Canadian Dollar, crop nutrient prices were lower than the previous few years.

Sales of crop nutrients decreased by $4,300,698 to $63,802,241 due to the factors described above. The average price of dry fertilizer per metric tonne sold dropped to $547 from $593 resulting in decreased overall revenue.

Seed sales decreased in the most recent period, with revenue totaling $5,950,372, representing a decrease of $2,928,846 versus results achieved in the prior period. Sales of bagged canola seed took a significant hit as the spring of 2019 was one of the driest on the prairies recorded in 100 years. That uncertainty in the spring resulted in growers pulling back on their commitment to planting canola and shifting to cereal crops to handle the early drought.

Cost of sales has decreased in the most recently completed period by $8,574,101, keeping in line with the decrease in revenue by $9,172,734. Margins for crop nutrient products remained flat from the previous year, and crop protection products experienced a significant decrease as crop protection margins were not immune to the marketplaces competitive pricing. More significantly, the early drought in the spring contributed to the margin suppression as ag retailers competed to maintain market share with less demand and lower margining products.

4. CONSOLIDATED FINANCIAL RESULTS

4.1 Summary of Annual Results

(In Canadian dollars, except as indicated)

	Year Ended March 31, 2020 (Audited)	Year Ended March 31, 2019 (Audited)	Year Ended March 31, 2018 (Audited)
Total revenue	291,099,416	278,824,725	293,927,451
Gross profit	18,932,266	18,626,426	28,559,236
Unrealized (loss)/gain on risk management liabilities	(89,771)	(64,091)	236,115
EBITDA(1)	8,441,525	8,539,742	17,641,765
Depreciation	(3,393,455)	(3,073,247)	(2,940,386)
Interest on long-term debt	(1,227,570)	(1,207,977)	(899,808)
Income Tax	(1,020,514)	(1,106,655)	(3,564,034)
Total income and comprehensive income	2,799,986	3,151,863	10,237,537
Earnings per share basic & diluted	0.89	1.00	3.24
Total assets	144,589,478	147,508,975	133,302,318
Total long-term liabilities	14,726,826	10,852,502	12,335,341
(Decrease)/increase in cash	121,530	(993,314)	(1,677,229)
Cash dividend			
Class B	0.35	0.88	0.95
Class C	0.35	0.88	0.95

(1) EBITDA is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, it may not be comparable to similar measures reported by other companies. Refer to section 11 "Use of non-IFRS term and reconciliation".

4.2 Summary of Semi-Annual Results

(In Canadian dollars, except as indicated)

	6 Months Ended Mar. 31, 2020 (Unaudited)	6 Months Ended Sep. 30, 2019 (Unaudited)	6 Months Ended Mar. 31, 2019 (Unaudited)	6 Months Ended Sept. 30, 2018 (Unaudited)
Total revenue	144,965,465	146,133,951	117,929,594	160,895,131
Gross profit	8,775,929	10,156,337	7,250,308	11,376,118
EBITDA(1)	3,190,086	5,251,439	2,252,393	6,287,349
Total income and comprehensive income	679,046	2,120,940	37,396	3,114,467
Earnings per share basic & diluted	0.22	0.67	0.01	0.99

(1) EBITDA is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, it may not be comparable to similar measures reported by other companies. Refer to section 11 "Use of non-IFRS term and reconciliation".

4.2 Revenue, Gross Profit and EBITDA

(In Canadian dollars, except as indicated)

	6 Months Ended March 31 (unaudited)			Year Ended March 31 (Audited)		
	2020	2019	Change	2020	2019	Change
Revenue	144,965,465	117,929,594	23%	291,099,416	278,824,725	4%
Less: cost of sales	136,189,536	110,679,286	23%	272,167,150	260,198,299	5%
Gross profit	8,775,929	7,250,308	21%	18,932,266	18,626,426	2%
EBITDA(1)	3,190,086	2,252,393	42%	8,441,525	8,539,742	(1%)
Gross profit percentage of revenue	6%	6%	-	7%	7%	-
EBITDA percentage of revenue	2%	2%	-	3%	3%	-

(1) EBITDA is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, it may not be comparable to similar measures reported by other companies. Refer to section 11 "Use of non-IFRS term and reconciliation".

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

Gross profit increased 2% while EBITDA decreased 1% for the twelve-month period ended March 31, 2020 in absolute dollar and percentage terms when comparing to the twelve months in the previous fiscal year. Gross profit decreased by $305,840 to $18,932,266 (2019 - $18,626,426), the change is largely attributed to the decrease in combined gross margin of both grain handling margins and crop inputs margins. As a result, EBITDA has decreased by $98,217 to $8,441,525. EBITDA is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, it may not be comparable to similar measures reported by other companies; refer to section 11 "Use of non-IFRS term and reconciliation".

Low commodity values in grain and dry weather limiting the need for crop protection products were the predominant reasons for total revenue reduction. The Company was able to maintain customer growth through market opportunities presented by its continued asset growth into the community of Kyle and surrounding area. The Company maintained a competitive offering to customers in its market area and positioned itself as a reliable originator of commodities in a period that was extremely competitive along the supply chain.

The surprising increase in durum yield in the fall of 2019 – considering the drought to start the growing year - led to an increase in shipments available for export. The increase in grain shipments resulted in higher revenues when compared to the same period last year. Overall, a decrease in crop protection margins in the most recent period was the major contributor to the reduction of gross profit when compared to March 31, 2019.

4.4 Expenses

(In Canadian dollars, except as indicated)

	6 Months Ended March 31 (Unaudited)			Year Ended March 31 (Audited)		
	2020	2019	Change	2020	2019	Change
General and administrative expenses	5,502,978	4,881,748	13%	10,476,513	10,022,593	5%
Interest on long-term debt and bank indebtedness	511,282	679,743	(25%)	1,227,570	1,207,977	2%
Depreciation	1,737,651	1,580,526	10%	3,393,455	3,073,247	10%
Income tax	262,107	(45,272)	679%	1,020,514	1,106,655	(8%)
Unrealized (gain) loss on risk management liabilities	82,865	(52,076)	259%	89,771	64,091	40%

4.4 Expenses (continued)

Total operating, general and administrative expenses at March 31, 2020, increased by $453,920 as compared to the twelve-month period ended March 31, 2019. The increase is largely associated with staffing and other operating expenses with the addition of the Kyle facility to the crop inputs operations.

Interest and bank indebtedness expenses for the most recent twelve month period increased by $19,593; the change is attributed to short term interest, as the Company was less reliant upon this type of financing. The Company relied on short term financing for sizeable near future benefits. Short term interest amounted to $695,318 as compared to $630,244 in the same period of the prior fiscal year.

Depreciation expenses increased by $320,208 to 3,393,455 (March 31, 2019 – $3,073,247) in the period ended March 31, 2020 with the addition of the Kyle location and rail expansion.

Income tax expense effective rate 27%.

5 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. 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 with an outstanding balance at March 31, 2020 of $3,732,400 (March 31, 2019 - $4,490,950). The company has a locked in 10-year fixed term loan with FCC at a rate of 4.5% with an outstanding balance at March 31, 2020 of $4,024,875 (March 31, 2019 – $4,689,468), as well as a 5-year lease liability with a fixed rate of 1.25% and floating BA from Scotiabank for the office building. The outstanding balance for the lease liability at March 31, 2020 was $786,665 (March 31, 2019 - $1,288,580). The company has an additional fixed term loan with FCC at a rate of 4.7% with an outstanding balance at March 31, 2020 of $5,458,860 (March 31, 2019 – nil). In addition, 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. The Company's borrowings against its RBC line of credit peaked during the 2020 fiscal year at $34,810,000. The balance at March 31, 2020 is $8,620,000.

5 LIQUIDITY AND CAPITAL RESOURCES (continued)

SWT finances its grain and crop inputs 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, 2020, SWT is in compliance with its financial covenants under all credit agreements.

5.1 Cash Flow

(Unaudited for the six month period ended)
(In Canadian dollars, except as indicated)

Cash flow from (Used in) (Unaudited)	6 months ended March 31, 2020	6 months ended Sep. 30, 2019	6 months ended March 31, 2019	6 months ended Sept. 30, 2018
Operating activities	641,221	38,086,348	(20,677,650)	4,491,142
Investing activities	(3,355,379)	(7,595,279)	(511,211)	(1,252,043)
Financing activities	(2,280,381)	(25,375,000)	21,188,861	(4,232,413)
Change in cash	(4,994,539)	5,116,069	(0)	(993,314)

(Audited for the Year Ended)
(In Canadian dollars, except as indicated)

Cash flow from (Used in) (Audited)	Year Ended March 31, 2020	Year Ended March 31, 2019	Difference
Operating activities	38,727,569	(16,186,508)	54,914,077
Investing activities	(10,950,658)	(1,763,254)	(9,187,404)
Financing activities	(27,655,381)	16,956,448	(44,611,829)
Change in cash	121,530	(993,314)	1,114,844

Cash flow from continuing operations has increased for the six-month and twelve-month periods ended March 31, 2020 as compared to the same period in the prior fiscal year. Cash from operating activities was $38,727,569 as compared to cash used in operating activities of $16,186,508 in the prior period

The cash used in investing activities was higher by $9,187,404 when compared to the same period in the prior fiscal year. The majority of the change when compared to March 31, 2019 is associated with SWT's asset purchase in Kyle.

The decrease of cash provided by financing activities was a result of repayment of bank indebtedness.

5.2 Working Capital Requirements

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).

(In Canadian dollars, except as indicated)	March 31, 2020 (Audited)	March 31, 2019 (Audited)	Change
Current assets	91,781,321	102,204,590	(10%)
Less: current liabilities	(53,937,085)	(62,425,427)	(14%)
Net working capital	37,844,236	39,779,163	(5%)

Current assets ended the 2020 fiscal year at $91,781,321, amounting to a decrease of $10,423,269 when compared to March 31, 2019 with accounts receivable accounting for most of the difference. Accounts receivable is decreased by $10,598,551.

Current liabilities were $53,937,085 at the end of the period; a decrease of $8,488,402 is largely due to decreased bank indebtedness.

Working capital was $37,844,236 at March 31, 2020, a decrease of $1,934,927 over the balance at March 31, 2019. The decrease was impacted by lower levels of deferred producer payments as Saskatchewan producers required cash for grain delivered at compressed prices. Lower farmgate prices resulted in liquidity constraints for some Saskatchewan producers and a change in the form of payment for some from deferred to cash.

5.3 Capital Expenditures

The Company has continued to add fixed assets in property, plant and equipment with total additions at the period ended March 31, 2020 of $9,586,594. Property, plant and equipment totalled $4,171,686 towards the purchase of the Kyle crop inputs facility. The remainder of the additions were contributed to the expansion of the railway tracks at the Antelope facility, and other base capital projects at the Company's facilities.

5.4 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. SWT 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. In managing the Company's capital, adjustments may be made to the capital structure in light of external influences such as changing economic conditions. In the management of capital, SWT includes bank indebtedness, mortgages and loans payable and shareholders' equity. There were no changes in SWT's approach to capital management during the year. SWT's bank indebtedness, mortgages and loans payable as well as shareholder's equity are components of its capital structure are set out in the following table:

5.4 Capital Management (continued)

	March 31, 2020 (Audited)	March 31, 2019 (Audited)
Bank indebtedness	8,620,000	38,073,726
Current portion of long-term debt	5,346,463	5,748,293
Current portion of obligation under lease liability	786,665	501,915
Long-term debt	10,196,296	6,352,801
Obligation under lease liability	-	786,665
Shareholders' equity	75,925,567	74,230,986
	100,874,991	125,730,386

6. DIVIDEND

On July 11, 2019, the Company declared and paid dividends on the class B and class C shares in the amount of $0.10 per share for a total of $315,830 by way of cash payment.

On December 16, 2019, the Company declared and paid dividends on the class B and class C shares in the amount of $0.25 per share for a total of $789,575 by way of cash payment.

7. OUTSTANDING SHARES

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, and common shares

Issued	March 31, 2020 (Audited)	March 31, 2019 (Audited)
1,758,300 Class B	17,406	17,406
1,400,000 Class C	165,284	165,284
	182,690	182,690

8. 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 $938,784 (2019 - $1,000,739).

During the year, the Company purchased 8,750 (2019 – 3,816) tonnes of grain from key management and directors with aggregate value of $2,359,274 (2019 - $1,408,169) and sold crop inputs in the amount of $2,330,293 (2019 -$2,047,285).

During the year, the Company made sales of grain and received other income from Cargill, a shareholder, in the amount of $64,122,498 (2019 - $50,724,773) and made purchases of products and services in the amount of $26,640,345 (2019 - $37,525,781). Included in accounts payable $10,959,631 (2019 - $485,980) due to Cargill.

8. RELATED PARTY TRANSACTIONS (continued)

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.

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

9. OFF BALANCE SHEET ARRANGEMENTS

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

10. GENERAL AND FINANCIAL INSTRUMENT RISK MANAGEMENT

10.1 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 receivables

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, 2020 was $212,107 (2019 - $nil).

10.2 Crop Inputs Price Risk

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

10.3 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 operation and the financial results of the Company.

10.4 Weather Risk

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

10.5 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 gain 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 2020, a net foreign exchange gain of $218,812 (2019 - $75,036) was recognized in total comprehensive income.

10.6 Interest rate risk

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

A 1% change in interest rates relating to the long-term debt and obligation under finance lease of the Company would increase or decrease interest expense by approximately $249,000 (2019 - $509,000). 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, 2020, there were two interest rate swaps outstanding, for a total notional amount of $4,460,715 (2019 - $5,662,830) with fixed interest rates of 2.48% and 1.25%.

10.7 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, 2020, resulted in the recognition of a risk management liability of $80,292 (2019 – asset of $13,124).

10.8 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	$34,714,207
3-12 months	$19,222,827
1-5 years	$10,356,455

10.9 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:

Cash and accounts receivable are classified as financial instruments at amortized cost which approximates fair value. Bank indebtedness, accounts payable and accrued liabilities, and long-term debt are classified as loans and borrowings 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 balance.

Long-term investments of privately held available for sale equity securities, are classified as financial assets at fair value through profit or loss.

Risk management assets consist of exchange-traded derivatives. They are classified as financial assets at fair value through profit or loss.

Risk management liabilities consist of interest rate swap and exchange traded derivatives. They are classified financial liabilities at fair value through profit or loss and fair value is based on mid-market inputs obtained from third party sources.

Inventories include grain inventories are at fair value. Grain inventories include both commodity inventories and grain purchase and sales contracts which are forward derivatives. The grain purchase and sales contracts are classified as financial assets at fair value through profit or loss and the fair value for them and grain inventories is based on observable inputs other than quoted prices.

10.10 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.

10.10 Fair value hierarchy (continued)

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, 2020
(Audited)

	Level 1	Level 2	Level 3
Grain inventories	-	13,171,613	-
Grain purchase and sales contract	-	138,043	-
Long-term investments	-	-	200,200
Risk management liabilities	80,292	160,159	-

March 31, 2019
(Audited)

	Level 1	Level 2	Level 3
Grain inventories	-	11,526,618	-
Grain purchase and sales contract	-	(650,417)	
Risk management assets	13,124	-	-
Long-term investments	-	-	200,200
Risk management liabilities	-	70,388	-

10.11 Adoption of new accounting policies

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

- IFRS 16 Leases
  The Company adopted IFRS 16 using the modified retrospective method, which in the Company's case resulted in prospective application as there was no impact to opening retained earnings transition.
  On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'finance leases' under the principles of IAS 17 Leases.
  The carrying amount of the right-of-use assets and lease liabilities is remeasured if there is a modification of the lease, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to exercise a purchase, extension or termination option.
  The assets leased by the Company during the period consist of its building and related equipment and office furniture.

10.11 Adoption of new accounting policies

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standards:

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and,
- recognition exemptions for low-value leases

The adoption of IFRS 16 had no effect on the consolidated financial statements, as at and for the year ended March 31, 2020.

11. Use of non-IFRS term and reconciliation

Management uses non-IFRS measure EBITDA, to provide shareholders and investors with a supplemental measure of the Company's operating performance and to highlight trends on the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. In particular, management believes EBITDA is a useful supplemental measure from which to determine the Company's ability to generate cash available for working capital, capital expenditure and income taxes. Management also believes that shareholders, lenders and other interested parties frequently use EBITDA in the evaluation and comparison of the performance of business in the sector in which the Company operates. However, such measures do not have any standardized meanings prescribed by IFRS and may differ from those of other businesses.

Total income and comprehensive income	6 Months Ended September 30, 2019 (Unaudited)	6 Months Ended September 30, 2018 (Unaudited)	6 Months Ended September 30, 2017 (Unaudited)
Net income	2,120,940	3,114,467	5,890,640
Depreciation	(1,655,804)	(1,492,721)	(1,569,877)
Interest on long-term debt and bank indebtedness	(716,288)	(528,234)	(442,190)
Income Taxes	(758,407)	(1,151,927)	(1,968,805)
EBITDA	5,251,439	6,287,349	9,871,512
Shares Outstanding	3,158,300	3,158,300	3,158,300
EBITDA per share	1.66	1.99	3.13

SWT ARENA
CABRI, SASKATCHEWAN

SWT is pleased to be a long-term partner with the Cabri Ice Centre, as well as the other individuals and companies who have invested time and money into the recent renovations at the facility, including a new ice surface, concrete, boards and glass.

SPORTSMAN DINNER
WYMARK COMMUNITY RINK

Our 6th Sportsman Dinner was held on February 29, 2020 to benefit the Wymark Community Rink. Former NHL player Stu Grimson was the guest speaker, along with emcee Derek Taylor. We were pleased to raise & donate

$25,000

to the Wymark Community Rink on behalf of SWT.

CHARITABLE CONTRIBUTIONS

DR NOBLE IRWIN REGIONAL HEALTHCARE FOUNDATION

SPONSORSHIPS

- ABBEY ARENA DU
- ABBEY CURLING CLUB
- AUTUMN HOUSE INDEPENDENT LIVING
- CABRI MINOR HOCKEY
- CHINOOK ALTERNATIVE MIDDLE PLUS
- DRUG STRATEGY ACTION COMMITTEE
- EASTEND SCHOOL
- FIELD OF DREAMS DINNER
- GULL LAKE LYCEUM THEATRE
- GULL LAKE SCHOOL
- KIWANIS CLUB OF SWIFT CURRENT
- KNOX UNITED CHURCH
- KYLE & DISTRICT RECREATION BOARD
- KYLE ATOM HOCKEY
- KYLE ELKS HOCKEY CLUB
- LAC PELLETIER REGIONAL PARK GOLF COMMITTEE
- LANCER & DISTRICT AG SOCIETY
- NEVILLE FIRE DEPARTMENT
- SASK LANDING GOLF RESORT
- SASKATCHEWAN VOLUNTEER FIREFIGHTERS ASSOCIATION
- SHAUNAVON ELKS LODGE
- SHAUNAVON YOUTH BALL ASSOCIATION
- SOUTH WEST CHRONIC DISEASE SUPPORT
- SOUTHWEST CYCLONES
- SOUTHWEST STARS GALA
- SOUTHWEST TYPE 1 SHARPS
- STREAMBANK GOLF COURSE
- SWIFT CURRENT & DISTRICT CHAMBER OF COMMERCE
- SWIFT CURRENT 57'S BALL CLUB
- SWIFT CURRENT AG & EX
- TOWN OF EASTEND
- TOWN OF SHAUNAVON
- VILLAGE OF HAZLET
- WHEATLAND CONSERVATION AREA INC
- WYMARK ATHLETIC ASSOCIATION

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 $1,500 scholarship.

The 2020 SWT Scholarship was awarded to PAYTON STENSON

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

This scholarship is eligible to graduates in the Shaunavon area who plan to attend post secondary school for Agriculture or Business. 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 is rewarded with a $1,500 scholarship.

The 2019 Gratton Murray Memorial Scholarship was awarded to BROCK OBERLE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