



**INPUT CAPITAL**  
THE AGRICULTURE STREAMING COMPANY

**Unaudited Condensed Interim Consolidated**

**Financial Statements**

**for the nine months ended December 31, 2015**

## **UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, Input Capital Corp. discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the nine month periods ended December 31, 2015 and 2014.

# **CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*(Unaudited)*

	Note	As at December 31, 2015	As at March 31, 2015
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 40,087,707	\$ 39,598,226
Trade and other receivables	6	1,760,376	2,894,036
Current portion of canola interests	6	29,206,965	20,538,296
Other financial assets	6	470,822	521,000
Prepaid expenses		134,216	77,394
		\$ 71,660,086	\$ 63,628,952
<b>Non-current</b>			
Canola interests	6	\$ 59,601,840	\$ 49,591,363
Deferred income tax assets	12	-	2,650,958
Capital and intangible assets		79,462	15,746
		\$ 131,341,388	\$ 115,887,019
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	6,15	\$ 10,491,375	\$ 10,808,096
		\$ 10,491,375	\$ 10,808,096
<b>Non-current</b>			
Deferred income tax liabilities	12	\$ 2,282,868	\$ -
		\$ 2,282,868	\$ -
<b>EQUITY</b>			
Share capital	8	\$ 108,294,755	\$ 108,134,007
Contributed surplus	8	1,864,281	1,411,059
Retained earnings (deficit)		8,408,109	(4,466,143)
		\$ 118,567,145	\$ 105,078,923
		\$ 131,341,388	\$ 115,887,019

**BOARD**

"Douglas Emsley", Director

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

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(LOSS)**

(Unaudited)

	Note	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2014
<b>Sales</b>	10	\$ 22,612,746	\$ 4,849,773	\$ 41,027,637	\$ 10,112,853
<b>Cost of sales</b>	10	17,389,569	3,792,616	31,620,298	7,845,280
<b>Gross profit</b>		\$ 5,223,177	\$ 1,057,157	\$ 9,407,339	\$ 2,267,573
<b>Expenses and other income</b>					
Amortization of capital and intangible assets		\$ 4,987	\$ 1,230	\$ 9,819	\$ 3,490
Corporate administration	11,14	1,062,112	797,082	2,959,860	1,944,467
Interest income		(100,046)	(226,160)	(269,739)	(520,253)
Other (gain) loss	6	(76,433)	-	(443,890)	(3,994)
Professional fees – legal, accounting and tax		42,813	64,999	239,835	135,838
Share of loss of equity-accounted investment	7	-	-	-	212
<b>Profit before the undernoted</b>		\$ 4,289,744	\$ 420,006	\$ 6,911,454	\$ 707,813
Market value adjustment	6	1,080,497	(1,236,534)	10,896,624	(4,059,306)
<b>Net income (loss) before income tax</b>		\$ 5,370,241	\$ (816,528)	\$ 17,808,078	\$ (3,351,493)
Income tax expense (recovery)	12	1,497,861	(178,446)	4,933,826	(753,561)
<b>Net income (loss) and comprehensive income (loss)</b>		\$ 3,872,380	\$ (638,082)	\$ 12,874,252	\$ (2,597,932)
<b>Basic earnings (loss) per share</b>	9	\$ 0.05	\$ (0.01)	\$ 0.16	\$ (0.04)
<b>Fully diluted earnings (loss) per share</b>	9	0.04	(0.01)	0.15	(0.04)

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

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

Cash flow from (used in)	Note	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2014
<b>Operating activities</b>					
<b>Net income (loss) for the period</b>		\$ 3,872,380	\$ (638,082)	\$ 12,874,252	\$ (2,597,932)
Adjustments					
Amortization of capital and intangible assets		4,987	1,230	9,819	3,490
Deferred share unit expense	15	(105,651)	47,943	(195,947)	169,501
Share of loss of equity accounted investment	7	-	-	-	212
Income tax expense (recovery)	12	1,497,861	(178,446)	4,933,826	(753,561)
Interest income		(100,046)	(226,160)	(269,739)	(520,253)
Interest received		85,964	190,984	286,041	464,814
Realization of canola interests	6	10,197,958	2,527,385	17,866,935	5,522,050
Share based payments	8	180,265	122,920	473,970	413,893
Loss from buy back of canola interests	6	-	-	173,242	-
Gain from sale of canola futures and options	6	(76,433)	-	(617,133)	-
Unrealized market value adjustment	6	(1,080,497)	1,236,534	(10,896,624)	4,059,306
Changes in non-cash working capital	13	5,032,100	806,905	3,695,608	20,785
<b>Cash generated from operating activities</b>		\$ 19,508,888	\$ 3,891,213	\$ 28,334,250	\$ 6,782,305
<b>Investing activities</b>					
Acquisition of canola interests	6	(7,471,135)	(11,574,962)	(30,598,455)	(24,505,682)
Proceeds from buy back of canola interests	6	-	-	2,070,091	-
Proceeds from Input Capital Limited Partnership	8	-	-	-	22,495
Net proceeds of canola futures and options	6	1,043,209	-	617,130	-
Purchase of capital and intangible assets		(2,391)	(1,275)	(73,535)	(1,466)
<b>Cash applied to investing activities</b>		\$ (6,430,317)	\$ (11,576,237)	\$ (27,984,769)	\$ (24,484,653)
<b>Financing activities</b>					
Proceeds from shares issued	8	140,000	-	140,000	46,439,003
Share issuance costs	9	-	-	-	(2,763,353)
Reduction to non-controlling interests of Input Capital Limited Partnership 2	7	-	-	-	(2,125)
Reduction to non-controlling interests of Input Capital Limited Partnership 3	7	-	-	-	(2,163)
<b>Cash generated from financing activities</b>		\$ 140,000	\$ -	\$ 140,000	\$ 43,671,362
Net increase (decrease) in cash		13,218,571	(7,685,026)	489,481	25,969,014
Cash – beginning of period		26,869,136	64,097,025	39,598,226	30,442,985
Cash - end of period		\$ 40,087,707	\$ 56,411,999	\$ 40,087,707	\$ 56,411,999

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

## **CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*(Unaudited)*

	Note	Share Capital		Contributed Surplus	Non-controlling interests	Retained earnings (deficit)	Total
		Number	Amount	Share Options			
At March 31, 2014		61,243,697	\$ 63,695,246	\$ 941,254	\$ 4,288	\$ (4,441,561)	\$ 60,199,227
Shares issued	8	20,125,000	\$ 46,287,500	\$ -	\$ -	\$ -	\$ 46,287,500
Options exercised	8	104,061	168,508	(17,007)	-	-	151,501
Share issue costs net of tax	8	-	(2,017,247)	-	-	-	(2,017,247)
Share based payment – options	8	-	-	413,892	-	-	413,892
Reduction to non-controlling interests of Input Capital Limited Partnership 2	7	-	-	-	(2,125)	-	(2,125)
Reduction to non-controlling interests of Input Capital Limited Partnership 3	7	-	-	-	(2,163)	-	(2,163)
Total comprehensive loss		-	-	-	-	(2,597,932)	(2,597,932)
At December 31, 2014		81,472,758	\$ 108,134,007	\$ 1,338,139	\$ -	\$ (7,039,493)	\$ 102,432,653
Share based payment – options	8	-	-	72,920	-	-	72,920
Total comprehensive income		-	-	-	-	2,573,350	2,573,350
At March 31, 2015		81,472,758	\$ 108,134,007	\$ 1,411,059	\$ -	\$ (4,466,143)	\$ 105,078,923
Options exercised	8	140,000	160,748	(20,748)	-	-	140,000
Share based payment – options	8	-	-	473,970	-	-	473,970
Total comprehensive income		-	-	-	-	12,874,252	12,874,252
At December 31, 2015		81,612,758	\$ 108,294,755	\$ 1,864,281	\$ -	\$ 8,408,109	\$ 118,567,145

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

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

*December 31, 2015 - unaudited*

## ***1. Nature of operations***

The Company is an agriculture streaming company that acquires canola purchase agreements ("Canola Streams") from farmers. In return for making an upfront payment to acquire a Canola Stream, the Company receives the right to receive or purchase, at a fixed price per tonne, a specified number of tonnes of canola in each year of the agreement.

The predecessor of Input was incorporated under The Business Corporations Act (Saskatchewan) (the "Act") on October 25, 2011. The existing Company was formed by an amalgamation under the Act on August 8, 2013. The Company's shares are publicly traded on the TSX Venture Exchange, under the symbol "INP".

The head office of the Company is located at 300 – 1914 Hamilton Street, Regina, Saskatchewan, S4P 3N6. The Company's registered and records office is located at 800 – 1801 Hamilton Street, Regina, Saskatchewan, S4P 4B4.

The agriculture industry is subject to a high degree of seasonality. The Company's revenue is received from canola deliveries and sales over several months after the harvest has been completed. The Company normally expects to recognize the majority of its annual revenues during its third and fourth quarters (September to March), while capital deployment will be spread throughout the year, with concentration in the October to March period.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 12, 2016.

## ***2. Basis of presentation***

### **A. STATEMENT OF COMPLIANCE**

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Committee ("IFRIC"). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended March 31, 2015.

### **B. FUNCTIONAL AND PRESENTATIONAL CURRENCY**

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, the functional currency of the Company, and all values are rounded to the nearest dollar with the exception of share and per share value.

### **C. USE OF ESTIMATES AND JUDGMENTS**

In preparing these unaudited condensed interim consolidated financial statements, Management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended March 31, 2015. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financials statements, are disclosed in Note 4.

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

*December 31, 2015 - unaudited*

## ***3. Summary of significant accounting policies***

Except as described below, the accounting policies applied in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended March 31, 2015.

### **CHANGES IN ACCOUNTING POLICIES**

The IASB has issued the following new or amended standards to be adopted in future years.

Standards required to be applied for annual periods beginning on or after January 1, 2018:

- *IFRS 15 – Revenue from Contracts with Customers* - specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.
- *IFRS 9 – Financial Instruments* - a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement.

Standards required to be applied for annual periods beginning on or after January 1, 2019:

- *IFRS 16* – specifies how an IFRS reporter will recognize, measure, present and disclose leases.

The Company is reviewing these standards to determine the potential impact, if any, on its consolidated financial statements.

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

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

### **A. CANOLA INTERESTS**

Canola interests are agreements for which settlements are called for in tonnes of canola, the amount of which is determined based on terms in the canola purchase agreements which are capitalized on a contract-by-contract basis and are recorded at fair value. As the contracts contain an embedded derivative relating to the market value of canola, at each reporting date the fair value of each contract is calculated using internal discounted cash flow models that rely on forward canola and other correlated commodity pricing provided by independent sources. Subsequent changes in fair value of these derivative financial instruments are recognized in profit or loss in Market value adjustments.

Included in contracts are pledges of general and specific security made by the farmer as collateral against delivery of canola tonnes. From time to time, in normal course, the Company may take steps to terminate streaming contracts that are in default. Contracts that are in the process of being terminated are fair valued at each reporting date based on the expected amount of capital to be recovered net of legal and other costs. Legal and other costs relating to the enforcement of security are included in canola interests until the contact termination is complete (see Note 6).



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

*December 31, 2015 - unaudited*

## **B. OTHER FINANCIAL ASSETS**

Other financial assets are crop delivery and basis price contracts with grain companies, farmers and canola crushing facilities. These contracts are generally settled by delivery of crop tonnes or in cash. At each reporting date the fair value of each contract is calculated using current crop pricing provided by independent sources. Subsequent changes in fair value of these derivative financial instruments are recognized in profit or loss in Market value adjustments.

## **C. REVENUE RECOGNITION**

Sales from streaming contracts are recognized when persuasive evidence of an arrangement exists, title and risk passes to the buyer, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the sale will flow to the Company and the costs incurred in respect of the transaction can be measured reliably.

Sales from trading are recognized when persuasive evidence of an arrangement exists, title and risk passes to the buyer from the seller, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the sale will flow to the Company and the costs of purchasing the canola from the seller can be measured reliably.

## **D. COST OF SALES**

The initial upfront payment allocated to canola interests is capitalized. Upfront payments allocated to canola interests are realized as cost of sales on a proportionate contractual tonne basis as sales are realized for each specific contract. Crop payments are recognized as cost of sales on a tonne basis as sales are realized for each specific contract.

## **E. SHARE BASED PAYMENTS**

The Company recognizes share based compensation expense for all share purchase options awarded to employees, officers and directors based on the fair values of the share purchase options at the date of grant. The fair values of share purchase options at the date of grant are expensed over the vesting periods of the options with a corresponding increase to equity in contributed surplus. The fair value of share purchase options is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revisions to this estimate in the consolidated statement of comprehensive income (loss).

The Black-Scholes model requires management to estimate the expected volatility and term of the equity instrument, the risk-free rate of return over the term, expected dividends, and the number of equity instruments expected to ultimately vest. Volatility is estimated using the historical stock price of the Company and the historical volatility of Canola, the expected term is estimated using historical exercise data, and the expected number of equity instruments expected to vest is estimated using historical forfeiture data. If and when share-based awards are ultimately exercised, the applicable amounts in Contributed Surplus are transferred to Share Capital.

The Company has a Deferred Share Unit Plan (the "DSU Plan") whereby the Company grants deferred share units ("DSUs") to eligible directors. The DSUs are cash-settled payment transactions and are valued at the fair value of the rights based on the closing share price at the end of the reporting period.

## **F. DEFERRED INCOME TAXES**

Taxation on earnings comprises current and deferred income tax. Taxation is recognized in the consolidated statements of comprehensive income (loss) except to the extent that it relates to items recognized in equity, in which case the tax is recognized directly in equity.

# NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 - unaudited

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset or liability is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 5. Financial instruments

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value hierarchy establishes three levels to classify the inputs of valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The fair values for cash and cash equivalents and marketable securities were based on carrying value as an approximation of market value due to the short time frame to maturity.
- Level 2 – Fair values are determined using inputs, other than quoted prices in level 1, that are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities.
- Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. Canola interest values are calculated using internal discounted cash flow models that rely on forward canola and other correlated commodity pricing provided by independent sources and long term basis assumptions.

The following sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Classification	Level	December 31, 2015	March 31, 2015
Other financial assets	Fair value through profit or loss	2	\$ 470,822	\$ 521,000
Canola interests	Fair value through profit or loss	3	88,808,805	70,129,659

The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash and cash equivalents, trade and other receivables, and trade and other payables.

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

December 31, 2015 - unaudited

### 6. *Canola interests*

	December 31, 2015	March 31, 2015
Canola interests:		
Opening balance	\$ 70,129,659	\$ 27,555,031
Acquisition of canola interests - upfront payments	24,150,644	49,132,564
Acquisition of canola interests - crop payments	3,529,342	1,797,159
Realization of canola interests - upfront payments	(14,675,025)	(5,922,479)
Realization of canola interests - crop payments	(3,191,910)	(1,808,848)
Legal and other costs relating to enforcement of security	162,627	-
Buy back of canola contracts	(2,243,333)	-
Market value adjustment	10,946,801	(623,768)
	<b>\$ 88,808,805</b>	<b>\$ 70,129,659</b>
Canola interests:		
Current portion of canola interests	\$ 29,206,965	\$ 20,538,296
Non-current canola interests	59,601,840	49,591,363
	<b>\$ 88,808,805</b>	<b>\$ 70,129,659</b>

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

	Payment due by period				Total
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	
Purchase obligations	\$ 2,702,139	\$ 5,409,901	\$ 4,551,866	\$ 1,371,911	\$ 14,035,817

Included in Trade and other receivables at December 31, 2015 is \$1,494,737 relating to canola deliveries made for which the payment has not yet been received as at December 31, 2015 (March 31, 2015 - \$834,099). Also included in Trade and other receivables at December 31, 2015 are short-term advances to farmers of \$76,973 (March 31, 2015 - \$1,480,000). These advances are non-interest bearing and approximate fair value given their short-term nature.

Included in Trade and other payables at December 31, 2015 is \$6,318,352 relating to the acquisition of canola interests - upfront payment commitments for which the disbursement has not yet been made as at December 31, 2015 (March 31, 2015 - \$9,074,196).

Due to exceptional circumstances, a producer or the Company may negotiate a buy back of a streaming contract. Funds received are used to bring the contract current and then purchase back future obligations under the contract. During the nine months ended December 31, 2015, the Company received \$2,070,091 in proceeds (nine months ended December 31, 2014 - \$nil) relating to the settlement of future obligations under streaming contracts, which resulted in a loss of \$173,242 (nine months ended December 31, 2014 - \$nil). In aggregate, total streaming revenue of \$1,955,888 and total cost of sales of \$1,212,682 for total gross margin of \$743,206 resulted from these contracts, resulting in annualized returns to the Company of 15% and 21% over the life of the contracts.

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

*December 31, 2015 - unaudited*

As at December 31, 2015 there are three streaming contracts (March 31, 2015 - nil) that are in the process of being terminated. The outstanding capital value of the contracts in default included in Canola interests at December 31, 2015 is \$19,392,547 (March 31, 2015 - \$nil). Input believes it will fully recover the outstanding capital value of these contracts through the enforcement of security. Once recovered, the funds will be available for redeployment in order to replace the cancelled tonnes. Contracts that are in the process of being terminated are fair valued at each reporting date based on the expected amount of capital to be recovered net of legal and other costs. This valuation methodology change resulted in a Market value adjustment expense of \$111,901 recorded in the Condensed Interim Consolidated Statement of Comprehensive Income (Loss) for the three months ended December 31, 2015. Legal and other costs relating to enforcement of security included in Canola interests is \$162,627 (March 31, 2015 - \$nil).

Other financial assets include canola delivery and basis price contracts with grain companies, farmers and canola crushing facilities and canola futures and options contracts. Subsequent changes in fair value of these derivative financial instruments are recognized in profit or loss in Market value adjustment and are as follows:

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Market value adjustment	\$ (2,053,989)	\$ -	\$ (50,117)	\$ -

Part of the Company's strategic in-year canola marketing program involves the purchase of canola futures and options contracts to maintain an open pricing position. As at December 31, 2015, the Company had no open trade positions (March 31, 2015 - \$nil). Included in Other gain is \$76,433 for the three months ended December 31, 2015 (three months ended December 31, 2014 - \$nil) and \$617,133 for the nine months ended December 31, 2015 (nine months ended December 31, 2014 - \$nil) of income relating to realized gains on these contracts.

### ***7. Investment in Input Capital Limited Partnerships and non-controlling interests***

The Company holds a 100% interest in Input Capital Limited Partnership, a partnership under common management. Earnings from Input Capital Limited Partnership have been included in Input Capital Corp.'s consolidated financial statements commencing from the acquisition date, July 10, 2014. Input Capital Limited Partnership is in the process of winding down operations, collecting accounts receivable relating to canola crop share contracts, and distributing cash to the unit holders. On July 10, 2014, Input Capital Limited Partnership redeemed units from a partner which resulted in Input holding 100% of the outstanding partnership units.

The Company held a 100% interest in the outstanding partnership units of Input Capital Limited Partnership 2, a partnership under common management. Earnings from Input Capital Limited Partnership 2 have been included in Input Capital Corp.'s consolidated financial statements commencing from the acquisition date, November 30, 2012, until the date of termination, November 18, 2014.

The Company held a 100% interest in the outstanding partnership units of Input Capital Limited Partnership 3, a partnership under common management. Earnings from Input Capital Limited Partnership 3 have been included in Input Capital Corp.'s consolidated financial statements commencing from the acquisition date, November 30, 2012, until the date of termination, November 18, 2014.

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

December 31, 2015 - unaudited

## 8. *Share capital and contributed surplus*

### A. SHARES AUTHORIZED

The Company's authorized share capital consists of an unlimited number of Class "A" common voting shares ("common shares") without par value.

### B. SHARES ISSUED

	December 31, 2015		March 31, 2015	
	Number	\$	Number	\$
Common shares	81,612,758	\$ 108,294,755	81,472,758	\$ 108,134,007

A continuity schedule of the Company's shares issued from March 31, 2014 to December 31, 2015, is presented below:

	Number of Common Shares	Net share capital
At March 31, 2014	61,243,697	\$ 63,695,246
Shares issued July 2014 (1)	20,125,000	44,270,253
Options exercised (see Note 8C)	104,061	168,508
At December 31, 2014	81,472,758	\$ 108,134,007
At March 31, 2015	81,472,758	\$ 108,134,007
Options exercised (see Note 8C)	140,000	160,748
At December 31, 2015	81,612,758	\$ 108,294,755

- (1) In July 2014, the Company closed a bought deal public offering of common shares. The public offering was conducted by a syndicate of underwriters who purchased, on a bought deal basis, an aggregate of 20,125,000 common shares at a price of \$2.30 per share for gross proceeds of \$46,287,500.

Total share issue costs net of tax relating to the bought deal public offering were \$2,017,247.

### C. SHARE PURCHASE OPTIONS

The Company has an incentive share purchase option plan (the "Option Plan") whereby the Company may grant share options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vesting conditions to be determined by the Board of Directors. Each share option converts into one common share of the Company on exercise.

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

December 31, 2015 - unaudited

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

Option series	Number	Expiry date	Exercise price	Fair value at date of grant
(1) granted on November 30, 2012	3,129,602	November 30, 2017	\$ 1.00	\$ 1.00
(2) granted on July 18, 2013	350,000	November 30, 2017	\$ 1.28	\$ 1.60
(3) granted on July 18, 2013	78,124	July 17, 2014	\$ 1.60	\$ 1.60
(4) granted on July 18, 2013	15,624	April 24, 2014	\$ 1.60	\$ 1.60
(5) granted on December 1, 2013	2,386,622	December 1, 2018	\$ 1.73	\$ 1.73
(6) granted on May 27, 2014	36,600	May 27, 2019	\$ 2.20	\$ 2.20
(7) granted on November 28, 2014	37,218	November 28, 2019	\$ 2.01	\$ 2.01
(8) granted on February 6, 2015	10,000	February 6, 2020	\$ 2.80	\$ 2.80
(9) granted on June 10, 2015	732,100	June 10, 2020	\$ 3.05	\$ 3.05
(10) granted on November 16, 2015	30,900	November 16, 2020	\$ 1.88	\$ 1.88

The fair value of the stock options is estimated at the grant date based on the Black-Scholes pricing model using the assumptions below. The assumptions below are based on management's best estimates at the time of issuance.

The fair value of the stock options is estimated at the grant date based on the Black-Scholes pricing model using the assumptions below. The assumptions below are for options issued since April 1, 2014 and are based on management's best estimates at the time of issuance.

Inputs into the model	Option Series				
	Series 6	Series 7	Series 8	Series 9	Series 10
Grant date share price	\$ 2.20	\$ 2.01	\$ 2.80	\$ 3.05	\$ 1.88
Exercise price	\$ 2.20	\$ 2.01	\$ 2.80	\$ 3.05	\$ 1.88
Volatility	32.29%	35.74%	38.42%	38.29%	49.07%
Expected life	5.00 years	5.00 years	5.00 years	5.00 years	5.00 years
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	1.56%	1.36%	0.76%	1.06%	0.94%

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

December 31, 2015 - unaudited

A continuity schedule of the Company's share options from March 31, 2014 to December 31, 2015, which is included in contributed surplus, is presented below:

	Contributed surplus - share options
At March 31, 2014	\$ 941,254
Amortization of fair value of share options (series 5, 6 and 7)	413,892
Options exercised during the period	(17,007)
At December 31, 2014	\$ 1,338,139
Amortization of fair value of share options (series 5, 6, 7 and 8)	72,920
At March 31, 2015	\$ 1,411,059
Amortization of fair value of share options (series 5, 6, 7, 8,9 and 10)	473,970
Options exercised during the period	(20,748)
At December 31, 2015	\$ 1,864,281

At December 31, 2015, the following options to purchase common shares were outstanding:

Option series	Average remaining life (in years)	Options outstanding				Total
		Vested	Unvested	Exercised	Expired or cancelled	
Series 1	2.17	3,129,602	-	190,000	-	2,939,602
Series 2	2.17	350,000	-	-	-	350,000
Series 3	0.00	78,124	-	78,124	-	-
Series 4	0.00	15,624	-	15,624	-	-
Series 5	3.17	1,748,535	638,087	-	-	2,386,622
Series 6	3.66	29,180	7,420	-	-	36,600
Series 7	4.16	20,240	16,978	-	-	37,218
Series 8	4.35	2,995	7,005	-	-	10,000
Series 9	4.70	137,901	594,199	-	1,000	731,100
Series 10	4.70	1,862	29,038	-	-	30,900
Weighted average	2.58	5,514,063	1,292,727	283,748	1,000	6,522,042

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

*December 31, 2015 - unaudited*

A vesting schedule of unvested options is presented below:

Vesting date	Option series	Shares vesting			
		2016	2017	2018	Total
February 6	Series 8	3,334	3,333	3,333	10,000
May 27	Series 6	18,300	-	-	18,300
June 10	Series 9	247,950	247,950	236,200	732,100
November 16	Series 10	15,450	15,450	-	30,900
November 28	Series 7	18,609	-	-	18,609
December 1	Series 5	693,160	-	-	693,160
		996,803	266,733	239,533	1,503,069

### 9. *Basic and diluted weighted average number of common shares*

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

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Basic weighted average number of shares	81,541,236	81,472,758	81,495,667	74,137,786
Dilutive securities:				
Share options	6,594,466	5,866,174	6,433,185	5,891,949

When there is a net loss and comprehensive loss the share options are anti-dilutive and therefore the diluted loss per share is the same as the basic loss per share.

### 10. *Sales and costs of sales*

Sales and cost of sales for canola streaming contracts is presented below:

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Sales from canola streaming contracts	\$ 15,639,768	\$ 3,606,504	\$ 27,442,827	\$ 7,787,583
Cost of sales				
Realization of canola interests - upfront payments	8,416,848	1,978,663	14,675,025	4,288,800
Realization of canola interests - crop payments	1,781,110	548,722	3,191,910	1,233,250
Other	246,148	26,773	321,081	33,047
Gross profit from canola streaming contracts	\$ 5,195,662	\$ 1,052,346	\$ 9,254,811	\$ 2,232,486



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

*December 31, 2015 - unaudited*

Sales and cost of sales for canola trading is presented below:

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Sales from canola trading	\$ 6,972,978	\$ 1,243,269	\$ 13,584,810	\$ 2,325,270
Cost of sales				
Purchase of canola	6,945,463	1,238,458	13,432,282	2,290,183
Gross profit from canola trading	\$ 27,515	\$ 4,811	\$ 152,528	\$ 35,087

### *11. Corporate administration*

The corporate administration expenses of the Company are as follows:

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Advertising and client development	\$ 221,273	\$ 148,616	\$ 536,394	\$ 211,568
Board and executive expenses (see Note 15)	(70,024)	52,421	(136,357)	194,775
Contractors, employee salaries and benefits	615,638	369,049	1,714,381	848,163
Investor relations	39,555	48,004	105,496	128,005
Licenses, dues and filing fees	20,983	19,162	125,511	63,068
Office expenses	54,422	36,910	140,465	84,995
Share option based compensation (Note 8C)	180,265	122,920	473,970	413,893
Total corporate administration expense	\$ 1,062,112	\$ 797,082	\$ 2,959,860	\$ 1,944,467

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

*December 31, 2015 - unaudited*

### **12. Income taxes**

The income tax expense differs from the amounts that would result from applying the federal and provincial income tax rate to the net income before income taxes. These differences result from the following items:

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Net profit (loss) before taxes	\$ 5,370,241	\$ (816,528)	\$ 17,808,078	\$ (3,351,493)
Canadian federal and provincial tax rates	27%	27%	27%	27%
Income tax (recovery) based on the above rates	1,449,965	(220,462)	4,808,181	(904,902)
Increase (decrease) due to the tax effect of:				
Non-deductible stock compensation	48,671	33,189	127,972	111,751
Non-deductible DSU compensation	-	12,944	-	45,765
Other	(775)	(4,117)	(2,327)	(6,175)
Deferred income tax expense (recovery)	\$ 1,497,861	\$ (178,446)	\$ 4,933,826	\$ (753,561)

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

	December 31, 2015	March 31, 2015
Deferred income tax asset (liability)		
Share issuance costs	\$ 1,090,269	\$ 1,403,978
DSU compensation	119,942	172,847
Unused tax losses	-	432,275
Income tax payable	(1,124,980)	-
Market value adjustment	(2,334,403)	673,227
Other	(33,696)	(31,369)
Total deferred income tax asset (liability)	\$ (2,282,868)	\$ 2,650,958

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

*December 31, 2015 - unaudited*

### *13. Supplemental cash flow information*

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
<b>Change in non-cash working capital items</b>				
Trade and other receivables	\$ 3,729,254	\$ (161,940)	\$ 1,117,362	\$ (923,643)
Prepaid expenses	29,529	(432)	(56,823)	(20,151)
Trade and other payables	1,273,317	969,277	2,635,069	964,579
<b>Net increase in cash</b>	<b>\$ 5,032,100</b>	<b>\$ 806,905</b>	<b>\$ 3,695,608</b>	<b>\$ 20,785</b>

### *14. Key management personnel compensation*

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Contractors, employee salaries and benefits	\$ 174,765	\$ 180,134	\$ 499,010	\$ 518,114
Share based payments	153,266	136,500	405,253	271,516
<b>Total key management compensation expense</b>	<b>\$ 328,031</b>	<b>\$ 316,634</b>	<b>\$ 904,263</b>	<b>\$ 789,630</b>

### *15. Board compensation*

The Company has a Deferred Share Unit Plan (the "DSU Plan") whereby the Company grants deferred share units ("DSUs") to eligible directors. Each eligible director is given the opportunity to elect, in lieu of cash, to receive all, or a portion of, their annual board retainer or board meeting fees in the form of DSUs. The DSUs are cash-settled payment transactions and are valued at the fair value of the rights based on the closing stock price at the end of the reporting period. At December 31, 2015 there were 249,667 DSUs granted, vested and outstanding (March 31, 2014 - 193,994). Included in Trade and other payables at December 31, 2015 is \$444,227 (March 31, 2015 - \$640,174) relating to the valuation of the DSUs. Included in Corporate administration expense for the nine months ended December 31, 2015 is \$(195,947) (nine months ended December 31, 2014 - \$169,501) relating to the valuation of the DSUs.

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

*December 31, 2015 - unaudited*

### *16. Related party transactions*

The Company is related to Assiniboia Capital Corp., Emsley & Associates (2002) Inc., and Nomad Capital Corp. as a result of common management. The companies share common office space, certain equipment and some personnel. These expenses are managed through a Shared Services Agreement whereby expenses are shared between companies and costs are passed through without markup. Related party expenses are summarized in the following table:

	Three months ended December 31, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Corporate administration	\$ 206,572	\$ 176,169	\$ 587,452	\$ 483,544

Included in Corporate administration (Note 11) is \$360,750 for the nine months ended December 31, 2015 (nine months ended December 31, 2014 - \$360,750), relating to key management compensation and is included in contractors, employee salaries and benefits in Note 14.

Included in Trade and other payables is \$29,955 ( March 31, 2015 - \$37,475) payable to related parties.

### *17. Comparative figures*

Certain of the prior period's figures were reclassified in conformity with the current period's financial statement presentation. The amounts were reclassified to improve the grouping of expenses within Corporate administration expense and Professional fees – legal, accounting and tax.