



INPUT CAPITAL
THE AGRICULTURE STREAMING COMPANY

Unaudited Condensed Interim

Financial Statements

for the three months ended December 31, 2019

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, Input Capital Corp. discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the three month periods ended December 31, 2019 and 2018.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

	Note	As at December 31, 2019	As at September 30, 2019
ASSETS			
Current			
Cash		\$ 12,531,751	\$ 11,439,460
Trade and other receivables		1,620,457	2,555,228
Income tax recoverable	15	1,268,711	1,268,711
Crop interests	5	3,150,376	6,883,620
Other financial assets	4	586,051	-
Assets held for sale	6	6,450,121	992,771
Prepaid expenses		234,803	307,415
Right-of-use asset		339,012	-
Mortgages and loans receivable	7	2,319,909	3,151,153
		\$ 28,501,191	\$ 26,598,358
Non-current			
Crop interests	5	\$ 20,552,096	\$ 21,511,225
Deferred income tax assets	15	4,076,880	3,469,469
Capital and intangible assets		36,003	46,557
Mortgages and loans receivable	7	46,227,725	56,091,934
		\$ 99,393,895	\$ 107,717,543
LIABILITIES			
Current			
Trade and other payables		\$ 2,819,251	\$ 2,075,566
Other financial liabilities	4	-	420,891
Revolving credit	8	-	5,404,008
Obligation under capital lease		343,812	-
Long-term debt	9	355,174	355,174
		\$ 3,518,237	\$ 8,255,639
Non-current			
Long-term debt	9	\$ 18,879,246	\$ 18,861,746
		\$ 18,879,246	\$ 18,861,746
EQUITY			
Share capital	10	\$ 81,691,283	\$ 83,034,919
Contributed surplus		3,952,019	3,884,368
Deficit		(8,646,890)	(6,319,129)
		\$ 76,996,412	\$ 80,600,158
		\$ 99,393,895	\$ 107,717,543

ON BEHALF OF THE BOARD

"Douglas Emsley", Director

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

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

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

	Note	Three months ended December 31, 2019	Three months ended December 31, 2018
Revenue			
Crop	12	\$ 11,624,679	\$ 24,058,425
Interest		1,174,032	1,182,976
Rental		10,754	12,500
		\$ 12,809,465	\$ 25,253,901
Expenses			
Corporate administration	14	\$ 931,574	\$ 1,827,495
Interest expense	8, 9	296,378	213,537
Purchase of crop and other direct expenses	12	4,074,703	3,434,689
Realization of crop interests	12	7,218,642	18,834,485
		\$ 12,521,297	\$ 24,310,206
Other income (loss)			
Gain from settlement of crop interests	13	\$ 219,128	\$ 97,041
Loss from settlement of mortgages	6	(4,430,689)	-
Realized gain (loss) on futures and options	5	177,276	(170,317)
Other income		63,422	100,707
		\$ (3,970,863)	\$ 27,431
Profit (loss) before the undernoted			
		\$ (3,682,695)	\$ 971,126
Expected credit gains (losses) and impairment gains (losses)	4	43,461	(24,980)
Unrealized market value gain (loss)	4	1,323,260	(1,856,118)
Net loss before income tax			
		\$ (2,315,974)	\$ (909,972)
Income tax recovery	15	607,411	200,411
Net loss and comprehensive loss			
		\$ (1,708,563)	\$ (709,561)
Basic loss per share			
	11	\$ (0.03)	\$ (0.01)
Fully diluted loss per share			
	11	(0.03)	(0.01)

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

Cash flow from (applied to)	Note	Three months ended December 31, 2019	Three months ended December 31, 2018
Operating activities			
Net loss for the period		\$ (1,708,563)	\$ (709,561)
Adjustments			
Amortization of capital and intangible assets		10,554	11,939
Deferred share unit expense (gain)	18	35,315	(24,699)
Income tax recovery	15	(607,411)	200,411
Income tax paid		-	(219,861)
Interest revenue		(1,174,032)	(1,182,976)
Interest received		2,374,477	1,769,298
Realization of crop interests	5	7,409,917	19,078,279
Share based payments		67,651	167,736
Gain from buy back of crop interests		(219,128)	(97,041)
Loss from buy back of mortgages	6	4,430,689	85,661
Realized (gain) loss on futures and options		(177,276)	170,317
Expected credit losses (gains) and impairment losses (gains)	4	(43,461)	24,980
Unrealized market value loss (gain)	4	(1,323,260)	1,856,118
Changes in non-cash working capital	16	547,334	1,077,899
Cash generated from operating activities		\$ 9,622,806	\$ 22,208,500
Investing activities			
Acquisition of crop interests		(3,617,804)	(14,154,844)
Proceeds from buy back of crop interests		963,278	151,782
Proceeds from contracts in restructuring and or security realization		465,139	-
Acquisition of assets held for sale		-	(833,755)
Issuance of mortgages and loans receivable		-	(4,957,900)
Proceeds from repayment of mortgages and loans receivable		1,053,988	169,027
Net proceeds (cost) of futures and options		184,566	(170,317)
Cash applied to investing activities		\$ (950,833)	\$ (19,796,007)
Financing activities			
Dividends paid		(637,518)	(831,885)
Interest expense		296,378	213,537
Interest paid		(508,398)	(46,138)
Net repayment on revolving credit facility	8	(5,404,008)	(2,109,020)
Net draws on long-term debt	9	17,500	6,471,000
Purchase of common shares		(1,343,636)	(561,065)
Cash generated from (applied to) financing activities		\$ (7,579,682)	\$ 3,136,429
Net increase in cash		1,092,291	5,548,922
Cash – beginning of the period		11,439,460	14,876,770
Cash - end of the period		\$ 12,531,751	\$ 20,425,692

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Note	Share Capital		Contributed Surplus		Deficit	Total
		Number	Amount	Share Options			
At September 30, 2018	12	83,250,960	\$ 110,277,708	\$ 3,404,119	\$ (12,310,935)	\$	101,370,892
NCIB shares purchased for cancellation		(709,000)	\$ (561,065)	\$ -	\$ -	\$	(561,065)
Share based payment – options		-	-	167,736	-	-	167,736
Impact of adopting new accounting standards		-	-	-	(221,853)	-	(221,853)
Dividends		-	-	-	(826,482)	-	(826,482)
Total comprehensive loss		-	-	-	(709,561)	-	(709,561)
At December 31, 2018	12	82,541,960	\$ 109,716,643	\$ 3,571,855	\$ (14,068,831)	\$	99,219,667
NCIB shares purchased for cancellation		(2,702,120)	\$ (2,151,673)	\$ -	\$ -	\$	(2,151,673)
SIB shares purchased for cancellation		(16,088,083)	(13,192,228)	-	-	-	(13,192,228)
Share based payment – options		-	-	312,513	-	-	312,513
Reduction in stated capital	12	-	(11,337,823)	-	11,337,823	-	-
Impact of adopting new accounting standards		-	-	-	216,593	-	216,593
Dividends		-	-	-	(2,279,283)	-	(2,279,283)
Total comprehensive income		-	-	-	(1,525,431)	-	(1,525,431)
At September 30, 2019	12	63,751,757	\$ 83,034,919	\$ 3,884,368	\$ (6,319,129)	\$	80,600,158
NCIB shares purchased for cancellation		(1,832,000)	\$ (1,343,636)	\$ -	\$ -	\$	(1,343,636)
Share based payment – options		-	-	67,651	-	-	67,651
Dividends		-	-	-	(619,198)	-	(619,198)
Total comprehensive loss		-	-	-	(1,708,563)	-	(1,708,563)
At December 31, 2019	12	61,919,757	\$ 81,691,283	\$ 3,952,019	\$ (8,646,890)	\$	76,996,412

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 - unaudited

1. Nature of operations

Input Capital Corp. (the "Company" or "Input") is a Canadian Grain Commission licensed and bonded grain company that acquires canola from farmers through multi-year canola streaming contracts. In return for providing capital for land financing and/or working capital purposes, the Company receives the right to receive and/or purchase a specified number of tonnes of canola each year over the life of the agreement. As of May 2019, Input has postponed capital deployment operations in light of canola trade uncertainties with China and the effect of this uncertainty on capital availability. 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 crop deliveries and sales over several months after the harvest has been completed. The Company normally expects to recognize the majority of its annual revenues during its first and second fiscal quarters.

These unaudited condensed financial statements were authorized for issue by the Board of Directors on February 11, 2020.

2. Basis of presentation

A. STATEMENT OF COMPLIANCE

These unaudited condensed financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Committee ("IFRIC"). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the period ended September 30, 2019.

B. BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- Financial instruments that are accounted for according to the financial instrument categories defined in Note 4.
- Share purchase options and deferred share units that are accounted for according to the share-based payments criteria defined in Note 3K.

C. FUNCTIONAL AND PRESENTATIONAL CURRENCY

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

D. USE OF ESTIMATES AND JUDGMENTS

The preparation of unaudited condensed financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ materially from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Significant areas requiring the use of management estimates are further described in the following summary of significant accounting policies and notes:

- Fair value of financial instruments; and
- Expected credit losses.

Areas of judgement in applying accounting policies that have the most significant effect on the amount recognized in the unaudited condensed financial statements include:

- Classification and measurement of financial instruments including the business model applied;
- Assessing staging of mortgages for purposes of estimating expected credit losses; and
- Recovery of deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 - unaudited

3. Significant accounting policies

Except for changes described in Note 3A, the accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed financial statements.

A. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Adoption of IFRS 16 Leases

IFRS 16, Leases, replaces IAS 17, and the policy introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

As a result of adoption of IFRS 16 on October 1, 2019, the Company's payments related to arrangements that meet the definition of a lease under IFRS 16 are no longer recognized as an expense in Corporate admin expenses - office expenses, but are now recognized with interest as a financing expense with depreciation expense recognized on the right to use assets. IFRS 16 was applied using the modified retrospective approach, where the cumulative effect of initial application is recognized in deficit on October 1, 2019, with no restatement of comparative figures. Right-of-use assets are measured at amounts equal to the corresponding lease liabilities, which resulted in no adjustment to deficit on transition.

In applying IFRS 16, the Company elected to apply, under the modified retrospective approach, to recognize exemptions related to short-term and low value leases. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short term leases. Judgment was applied in adopting IFRS 16 to identify contracts within the scope of IFRS 16, evaluating lease renewal terms and determining the discount rate used to present value the lease arrangements. On transition, lease liabilities were measured at present value of the remaining lease payments under the agreement term. Right-of-use assets are measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

On October 1, 2019, upon adoption of IFRS 16, the Company recognized an increase in right-of-use assets and lease liabilities of \$411,658, with no adjustment to deficit, related to its office lease. The incremental borrowing rate for lease liabilities initially recognized on adoption of IFRS 16 was 5.34%.

B. CAPITAL AND INTANGIBLE ASSETS

Items of capital and intangible assets are recorded at cost, less accumulated amortization and accumulated net impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Amortization is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of each part of an item of capital and intangible assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Trademarks	Straight line	5 years
- Software	Straight line	5 years

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

C. CROP INTERESTS

Crop interests are agreements for which settlements are called for in tonnes of crop, the amount of which is determined based on terms in the crop purchase agreements which are capitalized on a contract by contract basis and are recorded at fair value. Under IFRS 9, crop interests do not meet the own-use scope exemption and cash flows are not solely payments of principal and interest. As such, crop interests are carried at FVTPL. At each reporting date the fair value of each contract is calculated using internal discounted cash flow models that rely on forward commodity pricing provided by independent sources. Other variables that impact the fair value of crop interests include the timing of the delivery of the crop, changes in expected costs of realizing on the contract, changes in credit risk, and changes in the risk free interest rate. Subsequent changes in fair value are recognized in profit or loss in unrealized market value gain or loss. Realized gains and losses that result from the sale are recognized in profit or loss in realization of crop interests.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 - unaudited

D. REALIZATION OF CROP INTERESTS

The initial upfront payment allocated to crop interests is capitalized. Upfront payments are refundable deposits allocated to crop interests and are recorded as realization of crop interests on a proportionate contractual unit basis as sales are recorded for each specific contract. Crop payments are recorded as realization of crop interests on a unit basis as sales are recorded for each specific contract. Realized market value gains and losses that result from the sale of tonnes of crop are recognized in profit or loss in realization of crop interests. Realized market value gains and losses that result from contract buy backs are recognized in profit or loss as a gain (loss) from settlements of crop interests.

E. OTHER FINANCIAL ASSETS (LIABILITIES)

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

Part of the Company's crop marketing program involves the purchase of crop futures and options contracts to maintain an open pricing position. These contracts are settled in cash and at each reporting date the fair value of open contracts is calculated using current crop pricing provided by independent sources. Subsequent changes in fair value of these derivative financial instruments are recognized in profit or loss in unrealized market value adjustments. Realized gains and losses relating to these contracts are recognized in realized gain (loss) on crop futures and options.

F. ASSETS HELD FOR SALE

Assets held for sale consists of land and other assets registered in Input's name resulting from Input enforcing security under contracts being terminated or as a result of contract buy backs. These assets are recorded at the lower of carrying value and fair value based on quoted market prices for similar assets with an offsetting reduction in crop interests. These assets are expected to be sold in the near term. Subsequent changes in the fair value, if any, are recorded in other income in the statement of net loss and comprehensive loss.

G. MORTGAGES AND LOANS RECEIVABLE

Mortgages and loans receivable include mortgages and other loans that contain fixed and determinable payments. Input's business model is to hold the mortgages and loans receivable to collect principal and interest payments. Under IFRS 9, these assets qualify for the solely payments of principal and interest model. Upon initial recognition, these are recognized at fair value. Subsequently these assets are carried at amortized cost less expected credit losses. Interest revenue is recorded on an effective interest basis.

An impairment loss for mortgages and loans receivable are measured at amortized cost and is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings or loss. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of a previous impairment loss to reverse or partially reverse, the decrease in impairment is reversed through net earnings or loss.

H. INCOME TAXES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 - unaudited

I. REVENUE RECOGNITION

Crop revenue includes the sale of canola and other crops in Canada to grain elevators and canola crushing facilities. Revenue is recognized when the crop is delivered to and has been accepted on the customers' premises. Revenue is recognized at a point in time and amounts owing are usually paid shortly after delivery. Discounts are only assessed when the quality of the crop delivered does not meet the contracted quality specified.

Interest revenue on mortgages and loans receivable and interest on trade and other receivables is recorded on an effective interest basis.

J. NET SETTLEMENT OF CROP INTERESTS

In addition to regular crop deliveries, crop tonnage obligations outstanding on crop streaming contracts may also be settled by the farm operator directly through payment in cash, through cash proceeds received from crop insurance, through a conventional mortgage receivable with the Company, through a receivable agreement with the Company, or through a land transfer to the Company. These transactions do not result in the title and risk of the crop passing to a purchaser from Input and are considered to be the settlement of a financial asset with the farm operator. As a result, these transactions are not recorded as crop revenue. When cash proceeds are not received as the means of settlement, the transaction is valued at fair value. These transactions are recorded as a gain or loss from settlements of crop interests on the statement of net loss and comprehensive loss.

K. SHARE BASED PAYMENTS

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

4. *Financial instruments*

CAPITAL RISK MANAGEMENT - The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the capital structure. The Company's capital consists of \$76,996,412 (September 30, 2019 - \$80,600,158) of equity attributable to common shareholders, comprised of issued capital (Note 10), contributed surplus (Note 10), and accumulated deficit.

CREDIT RISK MANAGEMENT - The Company's credit risk includes cash, trade and other receivables in the ordinary course of business, mortgages and loans receivable and crop interests. Management's view is that the carrying amounts of these assets represent the maximum credit exposure.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 - unaudited

The carrying amount of these assets is:

	December 31, 2019	September 30, 2019
Cash	\$ 12,531,751	\$ 11,439,460
Trade and other receivables	1,620,457	2,555,228
Crop interests (Note 5)	23,702,472	28,394,845
Mortgages and loans receivable (Note 7)	48,547,634	59,243,087
	\$ 86,402,314	\$101,632,620

Management has implemented a number of policies and procedures to manage credit risk. These include: assignments of collateral and security; assignment of crop insurance; and use of derivatives. Management also monitors the agriculture environment to ensure that policies, activities and prices are appropriate and relevant.

COMMODITY PRICE RISK - The Company's financial results may be significantly affected by fluctuations in the price of crops. The price of crops is affected by numerous factors beyond the Company's control, including but not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of foreign currencies, global and regional supply and demand, and the political and economic conditions of major countries throughout the world.

LIQUIDITY RISK - The Company's business will depend on the creditworthiness of the farm operators and their ability to fulfill their obligations to the Company. While the Company takes security in the form of a general security agreement and in most cases, first mortgages on the farm operator's farmland, there is no assurance that such security will be enforceable, properly perfected or will have priority as against other creditors. The value of the collateral securing the Streaming Contracts may not protect the Company from suffering a partial or complete loss if the farm operator fails to meet its commitments.

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

	Payment due by period				
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
Purchase obligations	\$ 8,996,860	\$ 10,083,515	\$ 186,451	\$ -	\$ 19,266,826

Financial liabilities and other contractual obligations at December 31, 2019, and their maturities are summarized below:

	Payment due by period				
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
Trade and other payables	\$ 2,819,251	\$ -	\$ -	\$ -	\$ 2,819,251

Right-to-use leases obligations at December 31, 2019 are summarized below:

	Payment due by period				
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
Right-to-use lease obligations	\$ 304,334	\$ 51,128	\$ -	\$ -	\$ 355,462

Long-term debt repayment and interest obligations at December 31, 2019 are summarized below:

	Payment due by period				
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
Long-term debt principal and interest repayments	\$ 1,181,122	\$ 2,455,606	\$ 19,083,222	\$ -	\$ 22,719,950

INTEREST RATE RISK - The company has mortgages and loans receivable that are measured at amortized cost and contain a fixed interest rate. There is no variability in cash flow amounts or timing of cash flows with changes in interest rates, however, there are changes in the fair value of these financial assets.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 - unaudited

At each reporting date the fair value of each crop interest contract is calculated using internal discounted cash flow models that rely on forward commodity pricing provided by independent sources. Changes in interest rates impact the fair value of these crop interests.

OTHER RISKS - The Company is not subject to other significant foreign currency, or other price risks.

FAIR VALUE - The following sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by IFRS 9, 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, 2019	September 30, 2019
Cash	Amortized cost	1	\$ 12,531,751	\$ 11,439,460
Trade and other receivables	Amortized cost	2	1,620,457	2,555,228
Other financial assets (liabilities)	Fair value through profit or loss	2	586,051	(420,891)
Crop interests	Fair value through profit or loss	3	23,702,472	28,394,845
Mortgages and loans receivable	Amortized cost	2	48,547,634	59,243,087
Trade and other payables	Other financial liabilities	2	2,819,251	2,075,566
Revolving credit	Other financial liabilities	2	-	5,404,008
Long-term debt	Other financial liabilities	2	19,234,420	19,216,920

The following table represents the change in fair values recognized in the statement of net loss and comprehensive loss.

	Three months ended December 31, 2019	Three months ended December 31, 2018
Other financial assets (liabilities)	\$ (1,014,231)	\$ 1,794,192
Crop interests	(309,029)	61,926
Unrealized market value loss (gain)	\$ (1,323,260)	\$ 1,856,118

The following table represents expected credit losses and impairment losses recognized in the statement of net loss and comprehensive loss.

	Three months ended December 31, 2019	Three months ended December 31, 2018
Trade and other receivables	\$ (4,015)	\$ 7,330
Mortgages and loans receivable	(39,446)	17,650
Expected credit losses and impairment losses (gains)	\$ (43,461)	\$ 24,980

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

LOANS AND BORROWINGS - The Company has a \$25 million credit facility with HSBC Bank Canada. Included in the \$25 million is up to \$10 million that is secured against the mortgages underlying mortgage streams with Input clients and \$15 million in a revolving credit facility. As of December 31, 2019, there was \$9,464,819 (September 30, 2019 - \$9,447,319) drawn on the \$10 million available. As of December 31, 2019, there was \$nil (September 30, 2018 - \$5,404,008) drawn on the \$15 million revolving credit facility. The covenants of the facility include a maximum total liabilities to tangible net worth ratio of 1 to 1, a minimum current ratio of 1.2 to 1, and a debt service coverage ratio of 1.25 to 1. At December 31, 2019, the Company met all of its covenants as required by the facility.

The Company has term debt with Concentra Bank that is secured against the mortgages underlying mortgage streams with Input clients. As December 31, 2019 there was \$9,769,601 (September 30, 2018 - \$9,769,601) drawn on the \$10 million available. The covenants of the term debt include a minimum debt service coverage ratio of 1.5 to 1. At December 31, 2019, the Company met all of its covenants as required by the debt agreement.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 - unaudited

The liabilities and obligations of the Company are secured by all property of the Company including an assignment of the rights of the Company under the streaming contracts and any collateral security granted in favour of the Company in connection with each contract.

5. Crop interests and other financial assets (liabilities)

	December 31, 2019	September 30, 2019
Crop interests:		
Opening balance - date	October 1, 2019	October 1, 2018
Opening balance	\$ 28,394,845	\$ 37,334,191
Acquisition of crop interests - upfront payments	-	4,370,813
Acquisition of crop interests - crop payments	3,617,804	17,610,487
Realization of crop interests - upfront payments	(3,325,708)	(7,620,036)
Realization of crop interests - crop payments	(3,910,511)	(18,422,180)
Realization of crop interests - realized market value adjustment	(173,698)	(48,971)
Settlements on contracts that are in the process of restructuring and or security realization	(465,139)	(1,090,478)
Buy back of crop contracts	(744,150)	(2,915,493)
Market value adjustment	309,029	(823,488)
	\$ 23,702,472	\$ 28,394,845
Crop interests (including amounts relating to terminated contracts):		
Current	\$ 3,150,376	\$ 6,883,620
Non-current	20,552,096	21,511,225
	\$ 23,702,472	\$ 28,394,845

The fair value of each streaming contract is calculated using internal discounted cash flow models that rely on forward canola and other correlated commodity pricing provided by independent sources. Other variables that impact the fair value of crop interests include the timing of the delivery of the tonnes, changes in expected costs and cash flows associated with the contract, and changes in the risk free interest rate. Included in the market value adjustment as a reduction to the value of crop interests is a cumulative unrealized market value loss of \$14,032,911 (September 30, 2019 - loss of \$14,398,398) on streaming contracts that are in the process of restructuring and/or security realization relating to changes in the timing and expected net cash flows associated with the settlement of crop delivery obligations.

As at December 31, 2019 there are streaming contracts that are in the process of restructuring and/or security realization. The value of these contracts included in crop interests at December 31, 2019 is \$12,772,902 (September 30, 2019 - \$13,238,042).

A producer or the Company may negotiate a buy back of a streaming contract. The buy back of crop interests resulted in a gain as disclosed further in Note 12.

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

	Three months ended December 31, 2019	Three months ended December 31, 2018
Unrealized market value gain (loss)	\$ 1,014,231	\$ (1,794,192)

Part of the Company's crop marketing program involves the purchase of crop futures and options contracts to maintain an open pricing position. Included in realized gain (loss) on futures and options is a gain of \$177,276 for the three months ended December 31, 2019 (three months ended December 31, 2018 - loss of \$170,317).

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6. Assets held for sale

Assets held for sale result from Input taking ownership of assets as a result of enforcing security on contracts or as a result of contract buy backs. These assets are expected to be sold in the near term. Included in assets held for sale is:

	December 31, 2019	September 30, 2019
Land and associated fixtures	\$ 6,450,121	\$ 992,771

The increase in the assets held for sale was the result of the Company assuming ownership of a property underlying a mortgage. At the time of transfer, the property was valued at fair value which resulted in a loss from settlement of mortgages of \$4,430,689 being recognized in the condensed interim statement of loss.

7. Mortgages and loans receivable

Mortgages and loans receivable consist of conventional first mortgages and loans secured by land and equipment. A continuity schedule of the mortgages and loans receivable is presented below:

At September 30, 2018	\$ 55,290,415
Issuance of mortgages	4,957,900
Less settlements of mortgages and loans receivable	(169,027)
Decrease in interest receivable on mortgages and loans receivable	(542,917)
Increase in expected credit losses	(475,673)
At December 31, 2018	59,060,698
Issuance of mortgages	4,970,003
Less settlements of mortgages and loans receivable	(5,868,042)
Increase in interest receivable on mortgages and loans receivable	1,633,896
Increase in expected credit losses	(553,468)
At September 30, 2019	59,243,087
Less settlements of mortgages and loans receivable (Note 6)	(10,118,404)
Decrease in interest receivable on mortgages and loans receivable	(616,495)
Decrease in expected credit losses	39,446
At December 31, 2019	\$ 48,547,634

The allowance for expected mortgage credit losses as at December 31, 2019 is \$2,889,783 (September 30, 2019 - \$2,929,228). The Company continues to assess the probability and amount of credit losses at each reporting date.

Details regarding the expected mortgage credit losses are outlined below:

	Performing (stage 1)	Significant increase in credit risk (stage 2)	Expected credit losses on impaired mortgages (stage 3)	Total
Mortgages and loans receivable - gross carrying value	\$ -	\$ 33,335,102	\$ 18,102,315	\$ 51,437,417
Expected credit loss balance on mortgages and loans receivable - beginning of year	-	(3,956)	(2,925,272)	(2,929,228)
Provision for mortgage losses				
Re-measurement	-	(26,271)	65,716	39,445
Total provision for the year	-	(26,271)	65,716	39,445
Expected credit loss balance on mortgages and loans receivable - end of year	-	(30,227)	(2,859,556)	(2,889,783)

NOTES TO THE FINANCIAL STATEMENTS

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Mortgages and loans receivable principal and interest past due are as follows:

	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
As at December 31, 2019	\$ -	\$ 9,999	\$ 3,533	\$ 796,444	\$ 809,975

8. Revolving credit

The Company has up to \$15 million in a revolving credit facility with HSBC Bank Canada. The principal amount of each advance is due to be repaid by December 31 of the calendar year in which the advance was made. Interest, which is equal to prime plus 1% is payable monthly on the first of each month. A continuity schedule of the Company's revolving debt is presented below:

At September 30, 2018	\$ 3,686,707
Repayments	(2,109,020)
At December 31, 2018	\$ 1,577,687
Advances	5,404,008
Repayments	(1,577,687)
At September 30, 2019	\$ 5,404,008
Repayments	(5,404,008)
At December 31, 2019	\$ -

Interest expense relating to the revolving credit facility for the three months ended December 31, 2019 is \$66,984 (three month ended December 31, 2018 - \$39,314).

9. Long-term debt

The Company has up to \$10 million in five year term debt available from Concentra Bank. The term debt bears a fixed interest rate of 4.33% and interest is payable semi-annually. The debt is secured by mortgages underlying mortgage streams with Input clients. A continuity schedule of the Company's term debt with Concentra is presented below:

At September 30, 2018 and December 31, 2018	\$ 9,967,276
Repayments	(197,675)
At September 30, 2019 and December 31, 2019	\$ 9,769,601

The Company has up to \$10 million in revolving debt available from HSBC Bank Canada for mortgage funding purposes. The debt bears an interest rate of prime plus 1% (4.95% at December 31, 2019) and interest is payable semi-annually. The debt is secured by mortgages underlying mortgage streams with Input clients. A continuity schedule of the Company's mortgage related debt with HSBC is presented below:

At September 30, 2018	\$ -
Advances	6,471,000
At December 31, 2018	\$ 6,471,000
Advances	6,792,319
Repayments	(3,816,000)
At September 30, 2019	\$ 9,447,319
Advances	\$ 17,500
At December 31, 2019	\$ 9,464,819

Interest expense relating to the term debt for the three months ended December 31, 2019 is \$224,200 (three months ended December 31, 2018 - \$174,223). The carrying value of the term debt approximates its fair value as at December 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS

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10. Share capital, contributed surplus and retained earnings

A. SHARES AUTHORIZED

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

B. SHARES ISSUED AND PURCHASED

	Number of Shares	Share Capital
Common shares - September 30, 2018	83,250,960	\$ 110,277,708
Options exercised	-	-
Shares purchased for cancellation under the normal course issuer bid	(709,000)	(561,065)
Common shares - December 31, 2018	82,541,960	\$ 109,716,643
Shares purchased for cancellation under the normal course issuer bid	(2,702,120)	(2,151,673)
Shares purchased for cancellation under the substantial issuer bid	(16,088,083)	(13,192,228)
Reduction in stated capital	-	(11,337,823)
Common shares - September 30, 2019	63,751,757	\$ 83,034,919
Shares purchased for cancellation under the normal course issuer bid	(1,832,000)	(1,343,636)
Common shares - December 31, 2019	61,919,757	\$ 81,691,283

As approved by the shareholders at the Company's Annual General Meeting held on February 26, 2019, the stated capital of the Company's common shares was reduced to \$98,000,000 effective February 26, 2019. The reduction of share capital was applied to the deficit which was reduced by \$11,337,823.

On July 15, 2019, Input announced the completion of the substantial issuer bid, in which Input bought back 16,088,083 shares at a price of \$0.82 per share, for a total expenditure of \$13,192,228.

The Company has a normal course issuer bid for the repurchase of approximately ten percent of the company's public float in a given year. The bid commenced on December 14, 2017 and has been renewed for subsequent years until December 17, 2020.

During the three months ended December 31, 2019, the Company bought back 1,832,000 shares under its normal course issuer bid at an average price of \$0.73 per share (three months ended December 31, 2018 - 709,000 shares at an average price of \$0.79). During the three months ended December 31, 2019, the Company cancelled 2,016,500 shares (three months ended December 31, 2018 - 760,900).

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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 vest over a three year period. Each share option converts into one common share of the Company on exercise.

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

Option series	Number	Expiry date	Exercise price	Fair value at date of grant
(1) granted on December 1, 2013	2,386,622	December 1, 2018	\$ 1.73	\$ 1.73
(2) granted on May 27, 2014	36,600	May 27, 2019	\$ 2.20	\$ 2.20
(3) granted on November 28, 2014	37,218	November 28, 2019	\$ 2.01	\$ 2.01
(4) granted on June 10, 2015	732,100	June 10, 2020	\$ 3.05	\$ 3.05
(5) granted on November 16, 2015	30,900	November 16, 2020	\$ 1.88	\$ 1.88
(6) granted on June 8, 2016	912,700	June 8, 2021	\$ 2.18	\$ 2.18
(7) granted on December 15, 2016	642,900	December 15, 2021	\$ 2.00	\$ 2.00
(8) granted on December 15, 2017	1,781,000	December 15, 2022	\$ 1.54	\$ 1.54
(9) granted on December 21, 2018	941,500	December 21, 2023	\$ 0.80	\$ 0.80

The fair value of the stock options is estimated at the grant date based on the Black-Scholes pricing model using the assumptions below. The assumptions below are for options issued since September 30, 2018 and are based on management's best estimates at the time of issuance.

	Option Series
Inputs into the model	Series 9
Grant date share price	\$ 0.80
Exercise price	\$ 0.80
Average vesting period from grant date	3.00 years
Volatility	53.02%
Expected life	5.00 years
Dividend yield	5.00%
Risk free interest rate	1.89%

Volatility above is calculated based on the daily historical share price volatility over the expected life of the option.

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December 31, 2019 - unaudited

At December 31, 2019, 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	0.00	2,386,622	-	-	2,386,622	-	
Series 2	0.00	36,600	-	-	36,600	-	
Series 3	0.00	37,218	-	-	37,218	-	
Series 4	0.44	732,100	-	-	63,400	668,700	
Series 5	0.00	30,900	-	-	30,900	-	
Series 6	1.44	912,700	-	-	108,900	803,800	
Series 7	1.96	642,900	-	-	70,200	572,700	
Series 8	2.96	1,212,949	568,051	-	276,400	1,504,600	
Series 9	3.97	322,215	619,285	-	403,500	538,000	
Weighted average	2.24	6,314,204	1,187,336	-	3,413,740	4,087,800	

D. DIVIDENDS

The Company declared the following dividends since October 1, 2017 to the shareholders of record on the following dates.

Record date	Dividend per share	Shares outstanding	Total Dividend
December 31, 2017	\$ 0.01	84,802,460	\$ 848,025
March 31, 2018	0.01	84,379,560	843,796
June 30, 2018	0.01	84,172,160	841,722
September 30, 2018	0.01	83,250,960	832,510
December 31, 2018	0.01	82,550,460	826,482
March 31, 2019	0.01	82,154,460	821,545
June 30, 2019	0.01	82,021,960	820,220
September 30, 2019	0.01	63,751,757	637,518
December 31, 2019	0.01	61,919,757	619,198

11. 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, 2019	Three months ended December 31, 2018
Basic weighted average number of shares	63,068,578	83,209,638
Dilutive securities:		
Share options	4,401,800	5,649,011

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.

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12. Crop revenue, purchase of crop and other direct expenses, and realization of crop interests

Crop revenue, realization of crop interests and other direct expenses for crop sales is presented below:

	Three months ended December 31, 2019	Three months ended December 31, 2018
Crop revenue	\$ 11,624,679	\$ 24,058,425
Realization of crop interests		
Upfront payments	3,232,105	4,571,263
Crop payments	3,812,839	14,225,686
Realized market value expense	173,698	37,536
Other direct expenses	4,074,703	3,434,689
Profit from crop contracts	\$ 331,334	\$ 1,789,251

13. Net settlement of crop interests

The net settlement of crop interests is presented below:

	Three months ended December 31, 2019	Three months ended December 31, 2018
Total cash proceeds received for settlement of current crop interests	\$ 220,527	\$ 330,477
Amounts applied to the realization of crop interests		
Upfront payments	93,602	139,082
Crop payments	97,673	100,193
Realized market value gain	-	(926)
Other direct expenses	432	1,022
Net settlement of current crop interests	\$ 28,820	\$ 91,106
Gain (loss) on buy-back of non-current crop interests	(228,466)	11,380
Realized market value gain (loss) on buyouts	418,774	(5,445)
Gain from settlements of crop interests	\$ 219,128	\$ 97,041

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14. Corporate administration

The corporate administration expenses of the Company are as follows:

	Three months ended December 31, 2019	Three months ended December 31, 2018
Advertising and client development	\$ -	\$ 107,523
Amortization of capital and intangible assets	10,554	11,939
Board and executive expenses	40,354	26,216
Contractors, employee salaries and benefits	453,782	997,064
Investor relations and public company costs	13,545	84,695
Licenses, dues and filing fees	45,979	55,968
Mortgage administration and commissions	9,899	26,764
Office expenses	131,131	141,808
Professional fees – legal, accounting, tax and collection	158,679	207,782
Share option based compensation	67,651	167,736
Total corporate administration expense	\$ 931,574	\$ 1,827,495

15. 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 loss before income taxes. These differences result from the following items:

	Three months ended December 31, 2019	Three months ended December 31, 2018
Net loss before income tax	\$ (2,315,974)	\$ (909,972)
Canadian federal and provincial tax rates	27.0%	27.0%
Income tax recovery based on the above rates	(625,314)	(245,692)
Increase due to the tax effect of:		
Non-deductible stock compensation	17,903	45,281
Income tax expense recovery	\$ (607,411)	\$ (200,411)

The income tax recovery consists of the following:

	Three months ended December 31, 2019	Three months ended December 31, 2018
Current	\$ -	\$ 271,294
Deferred	(607,411)	(471,705)
	\$ (607,411)	\$ (200,411)

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

	December 31, 2019	September 30, 2019
Deferred income tax assets		
DSU compensation	\$ 166,678	\$ 163,944
Capital and intangible assets	(10,456)	(13,306)
Market value adjustment	3,026,218	3,026,218
Non-capital loss carryforwards	894,440	292,613
Total deferred income tax assets	\$ 4,076,880	\$ 3,469,469

16. Supplemental cash flow information

	Three months ended December 31, 2019	Three months ended December 31, 2018
Change in non-cash working capital items		
Trade and other receivables	\$ (468,786)	\$ (736,910)
Prepaid expenses	72,612	223,450
Trade and other payables	943,508	1,539,925
Income tax payable	-	51,434
Net increase in cash	\$ 547,334	\$ 1,077,899

17. Key management personnel compensation

Members of the key management team include the Board of Directors, the President and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer, and the Vice-President of Market Development.

	Three months ended December 31, 2019	Three months ended December 31, 2018
Contractors, employee salaries and benefits	\$ 219,117	\$ 439,225
Share based payments	67,650	132,905
Total key management compensation expense	\$ 286,767	\$ 572,130

18. 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, 2019 there were 904,095 DSUs granted, vested and outstanding (September 30, 2019 - 843,333). Included in Trade and other payables at December 31, 2019 is \$641,907 (September 30, 2019 - \$607,200) relating to the valuation of the DSUs. Included in Board and executive expenses under corporate administration expense for the three months ended December 31, 2019 is an expense of \$35,315 (three month ended September 30, 2018 - gain of \$24,699) relating to the valuation of the DSUs. During the year ended September 30, 2019, \$113,887 was paid out for DSUs being cash-settled (year ended September 30, 2018 - \$nil).

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19. Related party transactions

The Company is related to Emsley & Associates (2002) Inc. and Dalhousie Capital Corp. as a result of common management. The companies share some common personnel and Input leases furnished office space from Emsley & Associates Inc. (see Note 20). These transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party expenses are summarized in the following table:

	Three months ended December 31, 2019	Three months ended December 31, 2018
Corporate administration	\$ 250,462	\$ 290,383

Included in Corporate administration (Note 14) is \$117,502 for the three month ended December 31, 2019 (three months ended December 31, 2018 - \$162,975), relating to key management compensation and is included in contractors, employee salaries and benefits.

Included in Trade and other payables is \$15,940 (September 30, 2019 - \$17,072) payable to related parties.

20. Commitments and Contingencies

The Company has a contract of insurance in favour of the Canadian Grain Commission in the amount of \$1,500,000 for the months of October through January, decreasing down to \$1,000,000 from February to September. The policy can be claimed against by the beneficiary in the event of a producer grain payment default.

Lawsuits and claims that have arisen in the normal course of business are pending for and against the Company and provisions have been recorded where appropriate. It is the opinion of management that the final determination of these claims will not have a material adverse effect on the financial position or the results of the Company.

In August 2016, the Company signed a five-year lease that commenced September 1, 2016, ending February 28, 2021 with Emsley & Associates (2002) Inc. The Company's annual fiscal commitments remaining under the lease are as follows:

Commitments and contingencies	
2020	227,642
2021	127,820
	\$ 355,462