

*Unaudited Interim Condensed Consolidated Financial Statements of*



*For the three-month and nine-month periods ended December 31, 2014 and 2013*

# **CERES GLOBAL AG CORP.**

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**December 31, 2014**

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**CERES GLOBAL AG CORP.**  
**Consolidated Balance Sheets**  
*(Unaudited)*

	<u>Note</u>	<u>December 31,</u> <u>2014</u>	<u>March 31,</u> <u>2014</u>
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 85,529,675	\$ 12,009,400
Portfolio investments, at fair value	4	848,163	848,163
Due from Brokers	5	6,662,412	4,620,007
Derivatives	12(a)	9,040,716	2,965,891
Accounts receivable, trade		23,896,322	6,757,757
Inventories, grains		157,247,609	113,320,466
GST - HST recoverable		805,143	1,469,543
Income taxes recoverable		32,265	58,465
Assets held for sale	6	-	18,233,455
Prepaid expenses and sundry assets		811,023	1,477,376
<b>Current assets</b>		<b>284,873,328</b>	<b>161,760,523</b>
<b>Investments in associates</b>		<b>5,657,920</b>	<b>4,625,667</b>
<b>Intangible assets</b>		<b>348,810</b>	<b>331,650</b>
<b>Investment property</b>	7	-	14,803,988
<b>Property, plant and equipment</b>	8	104,237,009	50,687,083
<b>Non-current assets</b>		<b>110,243,739</b>	<b>70,448,388</b>
<b>TOTAL ASSETS</b>		<b>\$ 395,117,067</b>	<b>\$ 232,208,911</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Bank indebtedness	9	\$ 106,153,747	\$ 71,746,950
Accounts payable and accrued liabilities		27,650,589	7,567,634
Repurchase obligations	11	11,229,285	15,941,080
Derivatives	12(a)	5,263,445	1,752,256
Provision for future payments to Front Street Capital	15	551,000	970,000
Warrants	13(c)	1,644,000	-
<b>Current liabilities</b>		<b>152,492,066</b>	<b>97,977,920</b>
Long-term debt	10	28,264,636	-
Deferred income taxes		261,523	156,534
<b>Non-current liabilities</b>		<b>28,526,159</b>	<b>156,534</b>
<b>TOTAL LIABILITIES</b>		<b>181,018,225</b>	<b>98,134,454</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	13(e)	209,098,750	137,100,022
Deferred share units	14	218,983	62,500
Contributed surplus		9,228,422	9,228,422
Currency translation account		13,842,275	8,072,943
Deficit		(18,289,588)	(20,389,430)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>214,098,842</b>	<b>134,074,457</b>
<b>COMMITMENTS</b>	8		
<b>CONTINGENT LIABILITY</b>	18		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 395,117,067</b>	<b>\$ 232,208,911</b>

*The accompanying notes are an integral part of these financial statements.*

ON BEHALF OF THE BOARD

"Harold Wolkin"

Director

"Doug Speers"

Director

## CERES GLOBAL AG CORP.

### Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three-month and nine-month periods ended December 31

(Unaudited)

	Note	3 months		9 months	
		2014	2013	2014	2013
<b>REVENUES</b>		\$ 69,697,349	\$ 54,812,688	\$ 138,281,335	\$ 198,904,279
Cost of sales		(64,288,980)	(54,686,267)	(126,382,179)	(198,203,738)
<b>GROSS PROFIT</b>		<b>5,408,369</b>	<b>126,421</b>	<b>11,899,156</b>	<b>700,541</b>
General and administrative expenses	15	(2,115,984)	(1,470,156)	(8,445,899)	(15,919,092)
<b>INCOME (LOSS) FROM OPERATIONS</b>		<b>3,292,385</b>	<b>(1,343,735)</b>	<b>3,453,257</b>	<b>(15,218,551)</b>
Realized gain on sale of property, plant and equipment		-	19,629	-	196,415
Finance loss	12(b)	(149,157)	(1,041,781)	(296,409)	(2,890,796)
Finance expenses		(802,097)	(1,262,530)	(1,971,232)	(3,586,542)
<b>INCOME (LOSS) BEFORE INCOME TAXES AND UNDERNOTED ITEM</b>		<b>2,341,131</b>	<b>(3,628,417)</b>	<b>1,185,616</b>	<b>(21,499,474)</b>
Income taxes (recovery)		19,478	(1,014,628)	305,528	(1,218,762)
<b>INCOME (LOSS) BEFORE UNDERNOTED ITEM</b>		<b>2,321,653</b>	<b>(2,613,789)</b>	<b>880,088</b>	<b>(20,280,712)</b>
Share of net income (loss) in investments in associates		(28,973)	481,037	1,219,753	620,099
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<b>2,292,680</b>	<b>(2,132,752)</b>	<b>2,099,841</b>	<b>(19,660,613)</b>
<b>Other comprehensive gain for the period</b>					
Gain (loss) on translation of foreign currency accounts of foreign operations		4,749,614	3,503,613	5,769,332	5,088,043
<b>TOTAL COMPREHENSIVE GAIN (LOSS) FOR THE PERIOD</b>		<b>\$ 7,042,294</b>	<b>\$ 1,370,861</b>	<b>\$ 7,869,173</b>	<b>\$ (14,572,570)</b>
<b>WEIGHTED-AVERAGE NUMBER OF SHARES FOR THE PERIOD</b>		<b>17,918,254</b>	<b>14,209,760</b>	<b>15,431,300</b>	<b>14,277,594</b>
<b>PROFIT (LOSS) PER SHARE</b>					
Basic		\$ 0.13	\$ (0.15)	\$ 0.14	\$ (1.38)
Diluted		\$ 0.13	\$ (0.15)	\$ 0.14	\$ (1.38)

#### Supplemental disclosure of selected information:

Depreciation included in Cost of sales		\$ 689,218	\$ 705,192	\$ 1,981,941	\$ 2,095,325
Depreciation included in General and administrative expenses		\$ 12,503	\$ 39,306	\$ 65,945	\$ 115,394
Amortization of financing costs included in Finance expenses		\$ 153,333	\$ 113,319	\$ 447,444	\$ 336,003
Personnel costs included in Cost of sales		\$ 404,620	\$ 382,431	\$ 1,235,606	\$ 1,091,370
Personnel costs included in General and administrative expenses		\$ 124,783	\$ 80,380	\$ 328,857	\$ 277,238

The accompanying notes are an integral part of these financial statements.

**CERES GLOBAL AG CORP.**  
**Interim Condensed Consolidated Statements of Cash Flows**  
**For the nine-month period ended December 31**  
*(Unaudited)*

	<u>Note</u>	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss) for the period		\$ 2,099,842	\$ (19,660,613)
Adjustments for:			
Depreciation of property, plant and equipment		1,981,941	2,210,719
Realized gain on sale of property, plant and equipment	12(b)	-	(196,415)
Realized loss on sale of investments		-	2,974,760
Change in fair value of investments		-	(513,896)
Finance expense		1,971,232	3,586,542
Income tax expense (recovery)		305,528	(1,218,762)
Deferred share units issued to Directors and fair value adjustment	14	175,195	-
Share of net income in investments in associates		(1,219,753)	(620,099)
		5,313,985	(13,437,764)
Changes in non-cash working capital accounts	17	(36,594,285)	79,313,434
Interest paid		(1,523,762)	(3,491,113)
Income taxes paid		16,885	(90,141)
<b>Cash flow provided by (used in) operating activities</b>		<b>(32,787,177)</b>	<b>62,294,416</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposition of assets held for sale		6,759,240	-
Proceeds from sale of investments		-	3,189,928
Dividend received from associate		187,500	125,000
Repayment of loan receivable from associate			62,500
Proceeds from sale of property, plant and equipment		-	1,525,663
Acquisition of, and costs capitalized on, investment property	7	(5,052,271)	(7,855,485)
Acquisition of property, plant and equipment	8	(21,475,715)	(1,381,775)
<b>Cash flow used in investing activities</b>		<b>(19,581,246)</b>	<b>(4,334,169)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from (repayment of) bank indebtedness	9	29,829,600	(46,660,500)
Proceeds from term loans	10	29,067,500	-
Net repayment of repurchase obligations		(5,260,896)	(24,432,286)
Financing costs paid		(1,940,223)	-
Proceeds from common shares issued		75,000,000	-
Share issuance costs		(1,357,272)	-
Deferred share units redeemed		(18,712)	-
Repurchase of common shares under normal course issuer bid		-	(981,362)
<b>Cash flow provided by (used in) financing activities</b>		<b>125,319,997</b>	<b>(72,074,148)</b>
<b>Foreign exchange cash flow adjustment on accounts denominated in a foreign currency</b>		<b>568,701</b>	<b>137,601</b>
<b>Increase (decrease) in cash for the period</b>		<b>73,520,275</b>	<b>(13,976,300)</b>
Cash, beginning of period		12,009,400	20,443,836
<b>Cash, end of period</b>		<b>\$ 85,529,675</b>	<b>\$ 6,467,536</b>

*The accompanying notes are an integral part of these financial statements*

**CERES GLOBAL AG CORP.**

**Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**

**For the nine-month period ended December 31**

*(Unaudited)*

	<u>Note</u>	<u>Common shares</u>	<u>Warrants</u>	<u>Deferred share units</u>	<u>Contributed surplus</u>	<u>Currency translation account</u>	<u>Deficit</u>	<u>Total</u>
<b>Balances, April 1, 2014</b>		<b>\$ 137,100,022</b>	<b>\$ -</b>	<b>\$ 62,500</b>	<b>\$ 9,228,422</b>	<b>\$ 8,072,943</b>	<b>\$ (20,389,430)</b>	<b>\$ 134,074,457</b>
<i>Changes in nine-month period ended December 31, 2014</i>								
Issuance of Deferred Share Units	14	-	-	207,308	-	-	-	207,308
Redemption of Deferred Share Units for cash	14	-	-	(18,712)	-	-	-	(18,712)
Fair value adjustment of Deferred Share Units	14	-	-	(32,113)	-	-	-	(32,113)
Issuance of common shares, December 4, 2014	13(e)	73,642,728	-	-	-	-	-	73,642,728
Warrants, conditionally issued December 4, 2014	13(c)	(1,644,000)	-	-	-	-	-	(1,644,000)
Other comprehensive loss		-	-	-	-	5,769,332	-	5,769,332
Net income for the period		-	-	-	-	-	2,099,842	2,099,842
<b>Balances, December 31, 2014</b>		<b>\$ 209,098,750</b>	<b>\$ -</b>	<b>\$ 218,983</b>	<b>\$ 9,228,422</b>	<b>\$ 13,842,275</b>	<b>\$ (18,289,588)</b>	<b>\$ 214,098,842</b>
<b>Balances, April 1, 2013</b>		<b>\$ 138,298,904</b>	<b>\$ 202,384</b>	<b>\$ -</b>	<b>\$ 9,026,038</b>	<b>\$ (1,292,904)</b>	<b>\$ (1,353,911)</b>	<b>\$ 144,880,511</b>
<i>Changes in nine-month period ended December 31, 2013</i>								
Expiry of warrants, June 11, 2013	13(c)	-	(202,384)	-	202,384	-	-	-
Repurchases under normal course issuer bid	13(b)	(1,215,821)	-	-	-	-	234,459	(981,362)
Other comprehensive income		-	-	-	-	5,088,043	-	5,088,043
Net loss for the period		-	-	-	-	-	(19,660,613)	(19,660,613)
<b>Balances, December 31, 2013</b>		<b>\$ 137,083,083</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,228,422</b>	<b>\$ 3,795,139</b>	<b>\$ (20,780,065)</b>	<b>\$ 129,326,579</b>

# **CERES GLOBAL AG CORP.**

## **Notes to the Interim Condensed Consolidated Financial Statements**

**December 31, 2014**

*(Unaudited)*

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### **1. CORPORATE STATUS, REPORTING ENTITY AND NATURE OF OPERATIONS**

Ceres Global Ag Corp. (hereinafter referred to as “Ceres” or the “Corporation”) was incorporated on November 1, 2007, as amended on December 6, 2007, under the provisions of the *Business Corporations Act* (Ontario). On April 1, 2013, Ceres Global Ag Corp. amalgamated with Corus Land Holding Corp. Thereafter, the amalgamated corporation continued operating as Ceres Global Ag Corp. Ceres is a corporation domiciled in Canada, with its head office located at 36 Toronto Street, Suite 850, Toronto, Ontario, Canada, M5C 2C5.

These interim condensed consolidated financial statements of Ceres as at and for the three and nine month periods ended December 31, 2014 and December 31, 2013 include the accounts of Ceres and its wholly owned subsidiaries Ceres Canada Holding Corp., Riverland Agriculture Limited (“Riverland Canada”), Ceres U.S. Holding Corp., and Riverland Ag Corp. (“Riverland Ag”). All intercompany transactions and balances have been eliminated.

Unless otherwise stated, Riverland Ag and Riverland Canada will be collectively referred to as Riverland Ag. Riverland Ag is an agricultural cereal grain storage, customer-specific procurement and supply ingredient company that owns and operates nine (9) grain storage, handling and merchandising facilities in the states of Minnesota and New York, and the province of Ontario, with a combined licensed capacity of 47 million bushels. Riverland Ag also manages two (2) facilities in Wyoming on behalf of its customer-owner.

All of the Corporation’s revenues for the three and nine-month periods ended December 31, 2014 and 2013 are generated in the United States. Furthermore, as at December 31, 2014, of the Corporation’s \$395.1 million in total assets, \$263.7 million are domiciled in the United States, while \$131.4 million are domiciled in Canada. As at March 31, 2014, the Corporation had \$199.6 million in total assets domiciled in the United States while \$32.6 million were domiciled in Canada.

### **2. BASIS OF PREPARATION**

#### **Statement of compliance**

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and with IAS 34 *Interim Financial Reporting* (“IAS 34”). Certain information and disclosures normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. Accounting, estimation and valuation policies have been consistently applied to all periods presented herein, in accordance with IFRS.

These interim condensed consolidated financial statements were authorized for issue by the Audit Committee of the Board of Directors on February 12, 2015.

#### **Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars (“C\$”), which is the Corporation’s functional currency.

#### **Basis of measurement**

These interim condensed consolidated financial statements have been prepared on the historical cost

**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2014**  
*(Unaudited)*

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**2. BASIS OF PREPARATION (continued)**

**Basis of measurement (continued)**

basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value; and
- Inventories are measured at fair value less costs to sell.

**Use of estimates and judgments**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Interim condensed consolidated financial statements**

These interim condensed consolidated financial statements should be read in conjunction with Ceres' audited consolidated financial statements for the year ended March 31, 2014. The Corporation's significant accounting policies were presented in Note 3 of those audited financial statements.

**Future changes in accounting standards**

On May 28, 2014, the International Accounting Standards Board issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2017. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on April 1, 2017. The Corporation is evaluating the effects related to the future adoption of IFRS 15. The Corporation does not currently expect to early adopt this new standard.

On December 18, 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on April 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Effective for annual reporting periods beginning on or after January 1, 2018, the current standard for financial instruments (IAS 39 *Financial Instruments – Recognition and Measurement*) will be replaced by IFRS 9 *Financial Instruments*. The new standard will replace the current multiple classification and measurement models for financial assets and liabilities with a single model having only two classification categories: amortized cost and fair value. The Corporation is evaluating the effects related to the future adoption of IFRS 9. The Corporation does not currently expect to early adopt this new standard.



**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2014**  
*(Unaudited)*

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**4. PORTFOLIO INVESTMENTS**

Portfolio investments are classified as held for trading, and consist of equity securities of private companies.

	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Total fair value	\$ <b>848,163</b>	\$ 848,163
Total cost	\$ <b>7,231,818</b>	\$ 7,231,818

Fair value for securities in private companies has been determined using primarily the market approach for recent and comparable transactions, adjusted by management to consider factors such as liquidity risk.

**5. DUE FROM (TO) BROKERS**

Due from Brokers is composed of commodity futures and options contracts and margin deposits in the form of cash and open trade equity maintained by a broker in connection with such contracts. Amounts due from Brokers are offset by amounts due to the same Brokers, under the terms and conditions of enforceable master netting arrangements in effect with all brokers, through which the Company executes its transactions and for which it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

As at December 31, 2014 and March 31, 2014, the amounts due from Brokers represent the following:

	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Due from Brokers		
Margin deposits	\$ <b>5,271,873</b>	\$ 4,725,570
Unrealized gains on future contracts and options, at fair value	<b>1,450,990</b>	55,242
	<b>6,722,863</b>	4,780,812
Due to Brokers		
Unrealized losses on future contracts and options, at fair value	<b>(60,451)</b>	(160,805)
	<b>\$ 6,662,412</b>	\$ 4,620,007

**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2014**  
*(Unaudited)*

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**6. ASSETS HELD FOR SALE**

During the quarter ended September 30, 2014, the Company discontinued its plan to sell its Savage, Minnesota, facility after a decision was made in the quarter then ended to retain and use the facility to complement future strategic initiatives. Accordingly, in the quarter then ended, the Company reclassified the assets from assets held for sale to property, plant and equipment. During the quarter in which it was reclassified, the Corporation recognized US\$216,587 (C\$235,928) of depreciation expense, representing what would have been recognized for the nine-month period ended December 31, 2014 had the asset been classified as property, plant and equipment.

On May 23, 2014, the Corporation closed the sale of the Manitowoc grain storage facility, for gross proceeds of US\$6.2 million. At March 31, 2014, the net book value relating to Manitowoc had been written down to an amount equal to the gross proceeds from the sale. As a result, there was no effect on the Statement of Comprehensive Loss for the three-month period ended June 30, 2014. Pursuant to the purchase and sales agreement, Riverland Ag is leasing back from the purchaser one million bushels of storage capacity at the Manitowoc grain facility for a three-year term.

As at December 31, 2014, the Company has no assets held for sale; however, as at March 31, 2014 the major classes of assets held for sale were as follows:

<i>March 31, 2014</i>	<u>Manitowoc</u>	<u>Savage</u>	<u>Totals</u>
Land	\$ 118,782	\$ 1,093,308	\$ 1,212,090
Buildings and silos / elevators	6,830,873	9,973,350	16,804,223
Machinery and equipment	504,838	261,206	766,044
Furniture and fixtures, computers, office equipment and other assets	200,556	51,490	252,046
	<u>7,655,049</u>	<u>11,379,354</u>	<u>19,034,403</u>
Impairment loss on reclassification as assets held for sale	(763,201)	-	(763,201)
Foreign currency translation adjustment	(37,747)	-	(37,747)
	<u>\$ 6,854,101</u>	<u>\$ 11,379,354</u>	<u>\$ 18,233,455</u>

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2014

(Unaudited)

### 7. INVESTMENT PROPERTY

During the quarter ended September 30, 2014, management determined that the assets at the Northgate Commodities Logistics Centre (“NCLC” or “Northgate”) no longer met the criteria to be classified as Investment Property under *IAS 40 – Investment Property* based on management’s decision to solely develop and operate NCLC as owner and operator of the facility. Based on this decision, management had determined that the appropriate classification for the assets at the NCLC would be Property, plant and equipment, as guided by *IAS 16 – Property, Plant and Equipment*. The reclassification to Property, plant and equipment had no retroactive implications, as the accounting policy elected to account for previously classified Investment Property was the cost model, which is in accordance with *IAS 16’s* requirement to account for Property, plant and equipment.

For the nine-month period ended December 31, 2014 and for the year ended March 31, 2014, changes to the investment property are as follows:

	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Cost, as at beginning of period	\$ 14,803,988	\$ 4,975,921
Investment property additions	-	12,397
Development and other construction costs capitalized	5,061,659	9,794,316
Foreign currency translation adjustments	(9,388)	21,354
	<u>19,856,259</u>	<u>14,803,988</u>
Amount reclassified to Property, plant and equipment	<u>(19,856,259)</u>	-
Cost, as at end of period	\$ -	\$ 14,803,988

### 8. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Buildings and silos/elevators	\$ 64,574,062	\$ 46,732,781
Machinery and equipment	4,350,243	3,621,399
Furniture, fixtures, computers, office equipment & other assets	1,476,457	2,859,008
Land and land improvements	26,470,156	5,045,257
Construction in progress	19,320,704	-
	<u>116,191,622</u>	<u>58,258,445</u>
Less: accumulated depreciation	<u>(11,954,613)</u>	<u>(7,571,362)</u>
	\$ 104,237,009	\$ 50,687,083

For the nine-month period ended December 31, 2014, acquisitions of property, plant and equipment totaled \$21,475,715 and for the quarter then ended, acquisitions of property, plant and equipment totaled \$8,980,696 (nine-month period ended December 31, 2013: \$1,381,775; quarter ended December 31, 2013: \$764,609).

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2014

(Unaudited)

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### 8. PROPERTY, PLANT AND EQUIPMENT (continued)

During the quarter and nine-month period ended December 31, 2014, the Corporation did not dispose of any property, plant and equipment. For the quarter and nine-month period ended December 31, 2013, the Corporation disposed of certain property, plant and equipment for proceeds of \$29,592 and \$1,525,663, respectively. A gain was realized on the disposals in the quarter and nine-month period ended December 31, 2014 of \$19,629 and 196,415, respectively.

As at December 31, 2014, property, plant and equipment relating to the development of NCLC totaled \$38,885,593 million, which consisted of \$18,871,620 million of construction in progress, and \$20,013,973 of land and land improvements.

For the nine-month period ended December 31, 2014, capitalized development and other construction costs include borrowing costs of \$1,576,316 (year ended March 31, 2014: \$nil). Under IAS 23 – *Borrowing Costs*, Ceres is required to capitalize all costs that are directly attributable to the construction of a qualifying asset. Borrowing costs are directly related to the term loan (Note 10), which is used to finance the development and construction related to the assets in NCLC.

During the nine-month period ended December 31, 2014, Ceres entered into contract with a Canadian railroad contractor to furnish and install the rail system at the NCLC. The total contract price is \$5,325,527 and as at December 31, 2014, \$4,937,431 has been incurred. The remaining commitment is expected to be completed during the fourth quarter.

During the nine-month period ended December 31, 2014, Ceres entered into a contract with a Canadian contractor to design and build an inland grain terminal at the NCLC. The design and build process commenced in early September 2014 with substantial completion of the project expected to be in March 2016. The total contract price is \$39,955,000 and as at December 31, 2014, \$7,678,204 has been incurred. The remaining commitment is expected to be met over the term of the contract through March 2016.

### 9. BANK INDEBTEDNESS

On December 30, 2014, the Corporation amended and extended its syndicated uncommitted US\$120,000,000, 364-day revolving credit agreement. The short-term obligation is guaranteed by Ceres Canada Holding Corp., Ceres U.S. Holding Corp., Riverland Ag Corp., and Riverland Canada. The credit agreement is subject to borrowing base limitations, and the revolver is secured by predominantly all assets of the Corporation, including cash but excluding other property, plant and equipment.

Borrowings bear interest at 2.875% plus overnight LIBOR. Interest is calculated and paid on a monthly basis. Amounts under the credit agreement that remain undrawn are not subject to a commitment. The credit facility has certain covenants pertaining to the accounts of the Corporation, and as at December 31, 2014, the Corporation was in compliance with all debt covenants.

Prior to this agreement, Riverland had a revolving credit agreement that was substantially identical as it was syndicated and for US\$120,000,000 with borrowing bearing interest at 2.875% plus overnight LIBOR.

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**9. BANK INDEBTEDNESS (continued)**

As at December 31, 2014 and March 31, 2014, the carrying amount of bank indebtedness is summarized as follows:

	<u>December 31, 2014</u>		<u>March 31, 2014</u>	
	<u>in US\$</u>	<u>in C\$</u>	<u>in US\$</u>	<u>in C\$</u>
Revolving line of credit	\$ 92,000,000	\$ 106,968,400	\$ 65,000,000	\$ 71,857,500
Unamortized financing costs	(700,656)	(814,653)	(100,000)	(110,550)
	<u>\$ 91,299,344</u>	<u>\$ 106,153,747</u>	<u>\$ 64,900,000</u>	<u>\$ 71,746,950</u>

**10. TERM LOAN**

On June 27, 2014, Ceres entered into a senior secured term loan facility agreement (the “Loan”) for US\$20,000,000 to finance further development and early stage construction of Northgate. This Loan was for an initial term of six months maturing on December 29, 2014, with an ability to extend the term of the facility for a further six months at the request of Ceres and subject to the approval of the lender. For the first six months bearing an interest rate of 7.25%.

The Corporation paid an arrangement fee of 2.0% for the Loan, plus legal fees and other related borrowing costs. As reported in Note 8 (Property, Plant and Equipment) under *IAS 23 – Borrowing Costs*, Ceres has capitalized all borrowing costs directly attributable to the construction and development of the assets at Northgate.

In conjunction with amending and extending the syndicated uncommitted credit agreement described above, on December 30, 2014, the Corporation entered into a senior secured term loan facility agreement (the “New Loan”) for US\$25,000,000. This New Loan is for a term of 5 years with an interest rate of one month LIBOR plus 5.25%. This New Loan extinguished and replaced the previous loan originated on June 27, 2014.

Both, the New Loan and the revolving credit agreement disclosed above, are secured by the following: (i) a security interest in substantially all of the personal property of Ceres and its guarantors; (ii) a charge and mortgage over substantially all of the real property and elevator assets held by Riverland Ag and Riverland Canada, and its guarantors; and (iii) a pledge of substantially all of the equity interests and investment property held by Ceres Canada Holding Corp. and each guarantors.

In connection with the New Loan, which has an effective interest rate of 6.30%, the Corporation paid transaction costs relating the loan closure in the amount of \$973,814, which includes legal fees and other related borrowing costs. Transaction costs directly attributable to the issuance of the New Loan are recognized as a reduction in the balance of the New Loan, and will be amortized over the term of the loan using the effective interest rate method.

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**10. TERM LOAN (continued)**

	<u>December 31, 2014</u>		<u>March 31, 2014</u>	
	<u>in US\$</u>	<u>in C\$</u>	<u>in US\$</u>	<u>in C\$</u>
Term loan payable	\$ 25,000,000	\$ 29,067,500	\$ -	\$ -
Non-current portion of unamortized transaction costs	(690,636)	(802,864)	-	-
	<u>\$ 24,309,364</u>	<u>\$ 28,264,636</u>	<u>\$ -</u>	<u>\$ -</u>

Current Portion of the unamortized transaction costs of the term loan is recorded within Bank Indebtedness and amount to \$170,950.

**11. REPURCHASE OBLIGATIONS**

As at March 31, 2014, Riverland Ag had an open repurchase commitment under its product financing arrangement to repurchase 1,500,000 bushels of certain grains. Under the product financing arrangement, Riverland Ag sold MCUSA grains under contract and simultaneously entered into contracts to repurchase the grains during the first quarter of the fiscal year ending March 31, 2015. Since Riverland Ag is obligated to repurchase these commodities from MCUSA, it has not recognized these transactions as sales. As at March 31, 2014, the Corporation continues to recognize the inventory owned by Riverland Ag in this regard on its consolidated balance sheet and has recorded a liability of US\$14,419,792 at that date (C\$15,941,080), plus accrued interest payable. As at March 31, 2014, the fixed interest rate on the open repurchase commitment is at 3.08%

Similarly, at December 31, 2014, Riverland Ag has an open repurchase commitment under its product financing arrangement to repurchase 1,000,000 bushels of certain grains. As at December 31, 2014, the Corporation continues to recognize the inventory owned by Riverland Ag in this regard on its consolidated balance sheet and has recorded a liability of US\$9,657,938 at that date (C\$11,229,285), plus accrued interest payable. As at December 31, 2014, the fixed interest rate on the open repurchase commitment is at 3.04%.

**12. FINANCIAL INSTRUMENTS**

(a) *Fair value of financial instruments*

The fair value of financial instruments closely approximates their carrying values.

Derivative assets and Derivative liabilities, which are held for trading and valued at fair value through profit and loss, include the following:

	<u>December 31, 2014</u>	<u>March 31, 2014</u>
<u>Derivative assets</u>		
Unrealized gains on open cash contracts	\$9,040,716	\$2,965,891
<u>Derivative liabilities</u>		
Unrealized losses on open cash contracts	\$ (5,263,445)	\$ (1,752,256)

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**12. FINANCIAL INSTRUMENTS (continued)**

*(b) Finance loss*

For the three-month and nine-month periods ended December 31, 2014 and 2013, finance (loss) income includes the following:

	<u>3 months</u>		<u>9 months</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Interest and other revenues	\$ -	\$ 4,006	\$ 17,879	\$ 4,009
Realized loss on sale of investments	-	(2,974,760)	-	(2,974,760)
Realized and unrealized gain (loss) on currency-hedging	<b>245,832</b>	-	<b>573,435</b>	(468,891)
Realized and unrealized (loss) gain on foreign exchange, net	<b>(394,989)</b>	14,244	<b>(887,723)</b>	34,950
Change in fair value of investments	-	1,914,729	-	513,896
	<b>\$ (149,157)</b>	<b>\$ (1,041,781)</b>	<b>\$ (296,409)</b>	<b>\$ (2,890,796)</b>

*(c) Management of financial instruments risks*

In the normal course of business, the Corporation is exposed to various financial instruments risks, including market risk (consisting of price risk, commodity risk, interest rate risk and currency risk), credit risk, custodian and prime brokerage risks, and liquidity risk. The Corporation's overall risk management program seeks to minimize potentially adverse effects of those risks on the Corporation's financial performance. The Corporation may use derivative financial instruments to mitigate certain risk exposures. The Corporation may invest in non-public and public issuers and assets.

Price risk

As at December 31, 2014 and March 31, 2014, the Corporation's market risk pertaining to portfolio investments was potentially affected by two main components, being changes in actual market prices and changes in foreign exchange rates. As at December 31, 2014 and March 31, 2014, the Corporation's portfolio investments are solely in private companies. Therefore, market factors affecting the value of the portfolio investments are primarily changes in fair value of the investments and the Corporation's ability to liquidate the investments. As at December 31, 2014 and March 31, 2014, currency risk concerning the portfolio investments is no longer a significant risk issue, as the value of portfolio investments denominated in a currency other than Canadian dollars is nominal.

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**12. FINANCIAL INSTRUMENTS (continued)**

(c) *Management of financial instruments risks (continued)*

Notwithstanding the foregoing, the following is a summary of the effect on the results of operations of the Corporation, if the fair value of each of the portfolio investments as at December 31, 2014 and March 31, 2014 had increased or decreased by 10%, with all other variables remaining constant:

	<u>December 31, 2014</u>		<u>March 31, 2014</u>	
	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>
Change in fair value of investments				
10% increase in fair value	\$ 84,816	\$ 0.01	\$ 84,816	\$ 0.01
10% decrease in fair value	\$ (84,816)	\$ (0.01)	\$ (84,816)	\$ (0.01)

Commodity risk

The following is a summary of the effect on the results of operations of the Corporation, if the fair value of each of the open cash contracts as at December 31, 2014 and March 31, 2014 had increased or decreased by 5%, with all other variables remaining constant:

	<u>December 31, 2014</u>		<u>March 31, 2014</u>	
	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>
<u>Change in bid/ask prices of commodities</u>				
5% increase in bid-ask prices	\$ 134,585	\$ 0.009	\$ 21,599	\$ 0.002
5% decrease in bid-ask prices	\$ (134,585)	\$ (0.009)	\$ (21,599)	\$ (0.002)

Interest rate risk

As at December 31, 2014 and March 31, 2014, Ceres has no long or short portfolio positions in any interest-bearing investment securities.

As at December 31, 2014 and March 31, 2014, except for cash on deposit, the amounts of which vary from time-to-time and on which the Corporation earns interest at nominal variable interest rates, the Corporation had no other variable rate interest-bearing securities. As at those dates, a notional increase or decrease in interest rates applicable to cash on deposit would not have materially affected interest revenue and the results of operations. Therefore, as at December 31, 2014 and March 31, 2014, the Corporation's assets are not directly exposed to any significant degree to cash flow interest rate risk due to changes in prevailing market interest rates.



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**12. FINANCIAL INSTRUMENTS (continued)**

(c) *Management of financial instruments risks (continued)*

Interest rate risk

As disclosed in Note 9 (Bank Indebtedness), as at December 31, 2014 and March 31, 2014, the Corporation's revolving credit facility bears interest at an annual rate of 2.875% plus overnight LIBOR. As at December 31, 2014, management has determined the effect on the future results of operations of the Corporation, if the variable interest rate component applicable on those dates on the revolving credit facility were to increase by 25 basis points ("25 bps") as at those dates respectively, using the balance of the revolving credit facility payable as at those dates, using the number of shares then issued and outstanding, and with all other variables remaining constant. On that basis, the potential effects on the future result of operations would be as follows:

	<u>December 31, 2014</u>		<u>March 31, 2014</u>	
	<b>Increase in net loss</b>	<b>Increase in loss per share</b>	<b>Increase in net loss</b>	<b>Increase in loss per share</b>
<u>Change in interest rate on revolving facility</u>				
25 bps increase in annual interest rate	\$ (271,208)	\$ (0.02)	\$ (179,644)	\$ (0.01)

Ceres is not subject to cash flow interest rate risk concerning the repurchase obligations and the term loan, as these liabilities bear interest at fixed rates.

Credit risk

Credit risk is the risk a counterparty would be unable to pay amounts due to the Corporation in accordance with the terms and conditions of the debt instruments. As at December 31, 2014 and March 31, 2014, the Corporation is subject to credit risk concerning cash, amounts due from brokers, trade accounts receivable, and to the extent, certain open cash contracts for grain commodities as at those dates gave rise to unrealized gains thereon. The maximum exposure to credit risk on those assets is limited to the carrying value of those assets.

Riverland Ag uses various grain contracts as part of its overall grain merchandising strategies. Performance on these contracts is dependent on delivery of the grain or a customer buy-out. There is counter-party risk associated with non-performance, which may have the potential of creating losses. Management of has assessed the counter-party risk and believes that insignificant losses, if any, would result from non-performance.

Riverland Ag regularly evaluates its credit risk concerning its trade accounts receivable to the extent that such receivables may be concentrated in certain industries or with significant customers. Riverland minimizes this risk by having a diverse customer base and established credit policies. The aging of Riverland Ag's trade accounts receivable is substantially current. Based on its review and assessment of its trade accounts receivable, management of Riverland Ag has determined that as at December 31, 2014 and March 31, 2014, no allowance for doubtful accounts is warranted, and management is confident in its ability to collect trade accounts receivable.

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**12. FINANCIAL INSTRUMENTS (continued)**

(c) *Management of financial instruments risks (continued)*

Custody and prime brokerage risk

There are risks involved with dealing with a custodian or broker who settle trades. In certain circumstances, the securities or other assets deposited with the custodian or broker may be exposed to credit risk with respect to those parties. In addition, there may be practical or timing problems associated with enforcing the Corporation's rights to its assets, in the case of the insolvency of any such party. Notwithstanding the foregoing, management has evaluated the risk of loss related to the custodian or brokers and has determined this risk to be insignificant.

Liquidity risk

As at December 31, 2014 and March 31, 2014, the following are the contractual maturities of financial liabilities:

<u>December 31, 2014</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>2 years</u>	<u>3 to 5 years</u>	<u>More than 5 years</u>
Bank indebtedness	\$ 106,153,747	\$ 106,968,400	\$ 106,968,400	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	27,650,589	27,650,589	27,650,589	-	-	-
Repurchase obligations	11,229,285	11,229,285	11,229,285	-	-	-
Derivatives	5,263,445	5,263,445	5,263,445	-	-	-
Provision for future payments to Front Street Capital	551,000	551,000	551,000	-	-	-
Long-term debt	28,264,636	29,067,500	-	3,488,100	25,579,400	-
<u>March 31, 2014</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>2 years</u>	<u>3 to 5 years</u>	<u>More than 5 years</u>
Bank indebtedness	\$ 71,746,950	\$ 71,857,500	\$ 71,857,500	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	7,567,634	7,567,634	7,567,634	-	-	-
Repurchase obligations	15,941,080	15,941,080	15,941,080	-	-	-
Derivatives	1,752,256	1,752,256	1,752,256	-	-	-
Provision for future payments to Front Street Capital	970,000	970,000	970,000	-	-	-

Future expected operational cash flows and sufficient assets are available to fund the settlement of these obligations in the normal course of business. In addition, the following factors allow for the substantial mitigation of liquidity risk: the prompt settlement of amounts due from brokers, the active management of trade accounts receivable and the lack of concentration risk related thereto. The Corporation's cash flow management activities and the continued likelihood of its operations further minimize liquidity risk.

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**12. FINANCIAL INSTRUMENTS (continued)**

(c) *Management of financial instruments risks (continued)*

Currency risk

In the normal course of business, Ceres may hold assets or have liabilities denominated in currencies other than Canadian dollars (its presentation and functional currency, and referred to in this section as “C\$”).

Therefore, Ceres is exposed to currency risk, as the value of any assets or liabilities denominated in currencies other than C\$ will vary due to changes in foreign exchange rates.

As at December 31, 2014 and March 31, 2014, the following is a summary, at fair value, of Ceres’ exposure to significant currency risks:

<u>Currency</u>	<u>December 31, 2014</u>		<u>March 31, 2014</u>	
	<u>Net asset exposure*</u>	<u>Net futures contracts (to buy foreign currency)</u>	<u>Net asset exposure</u>	<u>Net futures contracts (to buy foreign currency)</u>
U.S. dollars	\$ 262,826	\$ -	\$ 5,175,147	\$ -

As at December 31 and March 31, 2014, the Corporation had no commitment to any futures foreign exchange contracts.

The following is a summary of the effect on Ceres’ results of operations if the C\$ had become 5% stronger or weaker against each of the other currencies as at December 31, 2014 and March 31, 2014, with all other variables remaining constant, related to assets and liabilities denominated in foreign currencies:

<u>Change in foreign exchange rate</u>	<u>December 31, 2014</u>		<u>March 31, 2014</u>	
	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>
C\$ 5% stronger	\$ (14,552)	\$ (0.00)	\$ (272,537)	\$ (0.02)
C\$ 5% weaker	\$ 16,084	\$ 0.00	\$ 301,225	\$ 0.02

Currency risk related to the accounts of Ceres’ foreign subsidiary, Riverland Ag Corp., relates primarily to the translation of its accounts into C\$ for the purposes of the consolidated financial reporting of Ceres. Adjustments related to the translation of foreign currency accounts of a foreign operation are included as other comprehensive income (loss) and have no effect on the determination of net income for the

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**12. FINANCIAL INSTRUMENTS (continued)**

reporting period. Consequently, Ceres has not presented a currency risk sensitivity analysis concerning Riverland Ag Corp.

*(d) Fair value measurements*

The following is a summary of the classification of assets and liabilities carried at fair value, using the hierarchy of inputs prescribed by IFRS 13 *Fair Value Measurement*:

<u>December 31, 2014</u>	<u>Note</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Portfolio investments	4	\$ -	\$ -	\$ 848,163	\$ 848,163
Due from Broker, unrealized gains on futures and options	5	1,450,990	-	-	1,450,990
Derivative assets	12(a)	-	9,040,716	-	9,040,716
Inventories, grains			157,247,609	-	157,247,609
Due from Broker, unrealized losses on futures and options	5	(60,451)	-	-	(60,451)
Derivative liabilities	12(a)	-	(5,263,445)	-	(5,263,445)
Provision for future payments to Front Street Capital	15	-	(551,000)	-	(551,000)
Warrants	13(c)	-	(1,644,000)	-	(1,644,000)
		\$ 1,390,539	\$ 158,829,880	\$ 848,163	\$ 161,068,582

The following is a reconciliation of the changes in the portfolio investments measured at fair value using unobservable inputs (Level 3), for the three-month period ended December 31, 2014:

Balance, April 1, 2014	\$ 848,163
Transfers from Level 3	-
Net Purchase	-
Change in fair value of Level 3 Portfolio investments	-
	\$ 848,163

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**12. FINANCIAL INSTRUMENTS (continued)**

*(d) Fair value measurements (continued)*

<u>March 31, 2014</u>	<u>Note</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Portfolio investments	4	\$ -	\$ -	\$ 848,163	\$ 848,163
Due from Broker, unrealized gains on futures and options	5	55,242	-	-	55,242
Derivative assets	12(a)	-	2,965,891	-	2,965,891
Inventories, grains			109,684,490	-	109,684,490
Due from Broker, unrealized losses on futures and options	5	(160,805)	-	-	(160,805)
Derivative liabilities	12(a)	-	(1,752,256)	-	(1,752,256)
Provision for future payments to Front Street Capital	15	-	(970,000)	-	(970,000)
		\$ (105,563)	\$ 109,928,125	\$ 848,163	\$ 110,670,725

**13. SHARE CAPITAL AND WARRANTS**

*(a) Authorized*

Unlimited number of voting, participating Common Shares, without par value.

*(b) Normal Course Issuer Bids*

During the nine-month period ended December 31, 2014, the Corporation did not purchase any Shares under any Normal Course Issuer Bid.

2013-2014 Normal Course Issuer Bid

On July 9, 2013, Ceres announced a normal course issuer bid (the “2013-2014 NCIB”) commencing on July 11, 2013, the purpose of which was to provide Ceres with a mechanism to decrease the potential spread between the net asset value per Share and the market price of the Shares. The 2013-2014 NCIB concluded on the earlier of the date on which purchases under the bid have been completed and July 10, 2014.

For the period from July 11, 2013 to October 15, 2013, Ceres purchased 126,020 Shares under the 2013-2014 NCIB for aggregate cash consideration of \$964,424. The stated capital value of these repurchased Shares was \$1,198,882. The excess of the stated capital value of the repurchased Shares over the cost thereof, being \$234,458, was allocated to Retained Earnings in the year ended March 31, 2014. The Corporation made no purchases under the 2013-2014 NCIB after October 15, 2013.

*(c) Common Share Purchase Warrants*

In connection with the rights offering, Ceres issued an aggregate of 2,083,334 warrants to the stand-by purchasers, with the issuance being conditional upon approval at the Corporation’s annual general meeting near or around September 2015. In the event that such warrant approvals are not obtained, the Corporation will make a cash payment to the standby purchasers equal to the number of common

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**13. SHARE CAPITAL AND WARRANTS (continued)**

*(c) Common Share Purchase Warrants (continued)*

shares subject to the applicable number of standby warrants multiplied by the amount (if any) by which the then-current mark price (basis the five-day VWAP) of the common shares exceeds the subscription price, provided that the amount shall not be less than 2% nor greater than 4% of such standby purchasers' subscription commitment.

Furthermore, the stand-by warrants issued subject to approval were done at a fixed price of \$5.84 and are convertible into one common shares of the Corporation. The warrants have an expiry date 24 months after issuance. The fair value of the stand-by warrants has been estimated at the date of issuance using the Black Scholes pricing model, using the following assumptions: an average risk free interest rate of 1.01%; an average expected volatility factor of 23.5%; an expected dividend yield of nil Percentage; and expected life of 2 years. The fair value of the stand-by warrants was estimated at \$1,644,000. Due to the conditional nature and certain other net settlement terms of the warrants, they are not considered equity under IFRS as at December 31, 2014, and are classified as a current liability.

On June 11, 2013, the Common Share Purchase Warrants (collectively the "Warrants") that were issued on June 11, 2010 to the vendors of Riverland Ag, expired and were cancelled. The Corporation allocated the aggregate stated capital value of the Warrants of \$202,384 to Contributed Surplus.

*(d) Stock Option and Appreciation Rights*

On March 10, 2014, the Board approved the Ceres Global Ag Corp. Stock Option Plan (the "Options Plan"). The Options Plan is available to certain officers, key employees and consultants of the Corporation and its subsidiaries. The purpose of the Options Plan is to attract, retain and motivate these parties by providing them with the opportunity, through options, to acquire a proprietary interest in the Corporation and to benefit from its growth.

The Options Plan is administered by the Board, which shall determine (among other things) those officers, key employees and consultants who may be granted awards as Participants and the terms and conditions of any award to any such Participant. The Exercise Price of the options shall be fixed by the Board and shall be no less than 100% of the Market Price on the effective date of the award of the options, which may be granted for a term not exceeding ten (10) years. The maximum number of common shares reserved for issuance upon the exercise of options cannot exceed 10% of the total number of common shares issued and outstanding less the number of common shares reserved for issuance under the Corporation's Directors Deferred Share Unit Plan (Note 14). Restrictions exist as to the number of options that may be granted to Insiders within any one-year period, and as to the number of, and the aggregate fair market value of, the common shares underlying the options that may be granted to any one Participant.

The Options Plan also provides for the Board to grant Stock Appreciation Rights ("SARs") to certain officers, key employees and consultants of the Corporation. Stand-Alone SARs granted under the Plan shall become vested at such times, in such installments and subject to the terms and conditions of the Options Plan (including satisfaction of Performance Criteria and/or continued employment) as may be determined by the Board. The Base Price for each common share subject to a Stand-Alone SAR shall not be less than 100% of the Market Price of a common share on the Effective Date of the award of such Stand-Alone SAR. Tandem SARs may be granted at or after the Effective Date of the related award of

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**13. SHARE CAPITAL AND WARRANTS (continued)**

*(d) Stock Option and Appreciation Rights (continued)*

options, and each Tandem SAR shall be subject to the same terms and conditions and denominated in the same currency as the option to which it relates and the additional terms and conditions under the Options

Plan. Tandem SARs may be exercised only if and to the extent the options related thereto are then vested and exercisable. On exercise of a Tandem SAR, the related option shall be cancelled and the Participant shall be entitled to an amount in settlement of such Tandem SAR calculated and in such form as provided by the Options Plan.

As at December 31, 2014 and March 31, 2014, no stock options or SARs had been awarded.

*(e) Issued and outstanding as at December 31, 2014 and March 31, 2014*

The following is a summary of the changes in the Common Shares and Warrants for the year ended March 31, 2014 and for the nine-month period ended December 31, 2014:

	<u>Common shares</u>		<u>Warrants</u>	
	<u>#</u>	<u>\$</u>	<u>#</u>	<u>\$</u>
<b>Balances, April 1, 2013</b>	<b>14,334,699</b>	<b>\$ 138,298,904</b>	<b>150,000</b>	<b>\$ 202,384</b>
<i>Changes in FYE 2014</i>				
Expiry of Warrants, June 11, 2013	-	-	(150,000)	(202,384)
Repurchases under normal course issuer bid	(126,020)	(1,198,882)	-	-
<b>Balances, March 31, 2014</b>	<b>14,208,679</b>	<b>\$ 137,100,022</b>	<b>-</b>	<b>\$ -</b>
<i>Changes in FYTD 2015</i>				
Adjustment to outstanding common shares	(471)	-	-	-
Issuance of common shares, December 4, 2014	12,842,465	73,642,728	-	-
Warrants, conditionally issued, December 4, 2014	-	(1,644,000)	2,083,334	1,644,000
<b>Balances, December 31, 2014</b>	<b>27,050,673</b>	<b>\$ 209,098,750</b>	<b>2,083,334</b>	<b>\$ 1,644,000</b>

On December 4, 2014, the Corporation completed a fully backstopped rights offering (the "Offering"). The Offering was fully subscribed at a price of \$5.84. The Corporation issued 12,842,465 common shares for aggregate gross proceeds of approximately \$75 million. Costs incurred relating to the issuance of shares totaled \$1,357,272.

**14. DEFERRED SHARE UNIT PLAN**

Effective January 1, 2014, Ceres has a Directors' Deferred Share Unit Plan, whereby deferred share units ("DSU") are issued to Eligible Directors, in lieu of cash, for a portion of Directors' fees otherwise payable to Directors. The Fair Market Value of the DSUs on the date such units are calculated and issued represents the volume-weighted average trading price of Ceres' common shares for the five trading days immediately preceding the date of issuance of the DSUs. Each DSU entitles the director to receive payment after the end of the director's term in the form of common shares of the Corporation. Under the plan, the aggregate number of common shares issuable by Ceres under this Plan is limited to

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**14. DEFERRED SHARE UNIT PLAN (continued)**

450,000 common shares. Certain insider restrictions and annual dollar limits per Eligible Director exist. Dividends, if any, otherwise payable on the common shares represented by the DSUs are converted into additional DSUs based on the Fair Market Value as of the date on which any such dividends would be paid. The Plan also provides for the Board to award additional DSUs (referred to in the Plan agreement as “Matching DSUs”) to an Eligible Director who has elected to receive DSUs pertaining to his/her Annual Cash Remuneration amount (as defined by the Plan).

The Corporation intends to settle all DSUs with shares through the issuance of treasury shares. Compensation expense is included as part of Directors’ fees classified with general and administrative expenses, and is recognized in the accounts as and when services are rendered to the Corporation. DSUs outstanding as at a reporting period-end are revalued at the fair market value as at that period and changes in the fair market value are recognized to Directors’ fees in the period in which the changes occur.

The following is a summary of the changes in the number of DSUs issued and outstanding for the nine-month period ended December 31, 2014 and for the year ended March 31, 2014:

	<u>December 31, 2014</u>		<u>March 31, 2014</u>	
	<u>number of units</u>	<u>Fair Market Value</u>	<u>number of units</u>	<u>Fair Market Value</u>
Balance, beginning of period	<b>8,912.73</b>	\$ <b>7.01</b>	-	\$ -
Units redeemed	<b>(2,673.83)</b>	\$ <b>7.00</b>	-	\$ -
Units issued	<b>32,428.54</b>	\$ <b>5.66</b>	8,912.73	\$ 7.01
Balance, end of period	<b>38,667.44</b>	\$ <b>5.66</b>	8,912.73	\$ 7.01

**15. MANAGEMENT FEES**

The following table presents management fee expense charged to the accounts of the Corporation for the three-month and nine-month periods ended December 31, 2014 and 2013:

Management fees and related expenses

	<u>3 months</u>		<u>9 months</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Management fees (adjustments) and related HST	\$ -	\$ (30,828)	\$ -	\$ 1,512,421
Provision for management transition payment and related HST	-	-	-	5,650,000
Adjustment to the provision for future payments to Front Street Capital	<b>(313,000)</b>	-	<b>(419,000)</b>	1,582,000
	<b>\$ (313,000)</b>	\$ (30,828)	<b>\$ (419,000)</b>	\$ 8,744,421

On August 23, 2013, Ceres announced it entered into a Management Transition Agreement (the “Transition Agreement”) with Front Street Capital 2004 (“Front Street Capital”), which provided, among other things, for the early termination of the Management Agreement. The Transition Agreement was approved by the shareholders at the annual and special meeting held on September 27, 2013. The Transition Agreement provided for the following:



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### 15. MANAGEMENT FEES (continued)

- The Management Agreement was terminated effective November 30, 2013;
- Monthly management fee payments to the Front Street Capital ended December 31, 2013;
- On October 1, 2013, Ceres paid the Front Street Capital \$5 million plus HST of \$650,000;
- Front Street Capital will be paid an additional \$1 million if the five-day volume-weighted average price of Ceres' common shares (the "5-day VWAP") reaches \$10 within five years, and a further \$1 million if the 5-day VWAP reaches \$11 at any time during that 5-year period;
- The additional payments will become payable immediately if, prior to the fifth anniversary of the date of the Transition Agreement, there occurs either a change in control or a going private transaction for a price in excess of \$7.85 per share;
- Ceres shall deposit into an escrow fund 5% of any gross sale proceeds in excess of net book value and direct transaction costs from the sale of any of Ceres' assets, to a maximum amount of \$1 million, and such escrow fund amount shall be paid to the Manager if the 5-day VWAP does not reach \$10 within five years

As at December 31, 2014, management has determined the fair value of the potential additional payments provided for under the Transition Agreement is \$551,000 (March 31, 2014: \$970,000), and a provision for this amount is reported separately in current liabilities as at that date. As at December 31, 2014, the fair value of each additional payment was determined using the binomial options pricing model, with a remaining term to December 31, 2018, using volatility of 32% and a risk-free interest rate of 1.36% (March 31, 2014: remaining term to December 31, 2018, volatility of 35% and risk-free interest rate of 1.71%). Management recalculates the fair value of such potential additional payments as at each quarter-end and adjusts the provision recognized in the accounts in the quarter such adjustment would be necessary.

### 16. RELATED PARTY TRANSACTIONS

#### *Key management personnel*

The Corporation has defined key management personnel as senior executive officers, as well as the members of the Board of Directors, as they collectively have the authority and responsibility for planning, directing and controlling the activities of the Corporation and its subsidiaries. The following table summarizes total compensation expense for key management personnel for the three-month and nine-month periods ended December 31, 2014 and 2013.

	<u>3 months</u>		<u>9 months</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Salaries, senior executive officers	\$ 453,865	\$ 301,212	\$ 1,658,790	\$ 821,766
Benefits, senior executive officers	11,933	7,182	28,245	27,250
Directors' fees	81,634	129,083	334,933	317,051
	<u>\$ 547,432</u>	<u>\$ 437,477</u>	<u>\$ 2,021,968</u>	<u>\$ 1,166,067</u>

As at December 31, 2014, directors and officers of the Corporation, through a controlled entity, beneficially owns, directly or indirectly, or exercises control or direction over 40.2% of the outstanding Common Shares of the Corporation.

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**17. CHANGES IN NON-CASH WORKING CAPITAL ACCOUNTS**

	<u>9 months</u>	
	<u>2014</u>	<u>2013</u>
(Increase) decrease in due from Broker, commodity futures contracts	\$ (1,713,557)	\$ 6,294,805
Decrease (increase) in net derivative assets	(2,376,304)	(1,925,420)
Decrease (increase) in accounts receivable	(15,952,858)	5,537,056
(Increase) decrease in inventories	(36,168,299)	(1,437,801)
Decrease (increase) in GST - HST recoverable	664,400	64,428,935
(Increase) decrease in prepaid expenses and sundry assets	702,277	413,308
Increase in accounts payable and accrued liabilities	18,669,056	4,939,879
Increase (decrease) in management fees payable	-	1,331,237
Decrease in provision for future payments to Front Street Capital	(419,000)	(268,565)
	<u>\$ (36,594,285)</u>	<u>\$ 79,313,434</u>

**18. CONTINGENT LIABILITY**

During the year ended March 31, 2014, Ceres terminated its arrangements and ongoing discussions with a potential development partner with respect to the development and construction of a grain facility at NCLC. The termination of discussions with the potential partner may have implications for any amounts to be collected from the potential partner and amounts previously paid to Ceres by the potential partner in respect to its portion of NCLC site preparation costs under the Cost-Sharing Agreement. The recovery and/or reimbursement of such amounts, if any, will be subject to resolution of the claim described below.

During the nine-month ended December 31, 2014, the potential partner initiated an action against the Corporation for injunctive relief and unspecified damages relating to the development and construction of a grain facility at the Corporation's NCLC.

As of the date hereof, management intends to defend the complaint vigorously and is examining all of its procedural and substantive options. The outcome of this complaint is difficult to assess or quantify. The plaintiff may seek recovery of large or indeterminate amounts, and the magnitude of the potential loss may remain unknown for substantial periods of time. The cost to defend this complaint may be significant. In addition, this complaint, if decided adversely to the Corporation or settled by the Corporation, may result in liability material to the Corporation's financial statements as a whole or may materially and adversely affect the Corporation's business, financial position, cash flow, and/or results of operations.