Unaudited Interim Condensed Consolidated Financial Statements of

CERES GLOBAL AG CORP.

For the three-month and six-month periods ended September 30, 2012

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CERES GLOBAL AG CORP.
Interim Condensed Consolidated Balance Sheets
(Unaudited)

	Note	September 30, 2012	March 31, 2012
ASSETS			
Current			
Cash		$ 26,134,426	$ 29,733,963
Restricted cash	9(b)	6,157,208	-
Portfolio investments owned, at fair value	4	7,860,995	9,873,064
Due from Brokers	5	8,561,472	2,463,520
Derivatives	10(a)	2,888,198	2,955,578
Accounts receivable, trade		8,628,238	9,622,892
Inventories, grains		249,118,810	158,810,128
Income taxes recoverable		85,180	842,478
Prepaid expenses and sundry assets		1,452,723	2,140,943
Current assets		**310,887,250**	**216,442,566**
Investments in associates		3,528,705	3,117,903
Intangible assets		294,960	299,250
Property, plant and equipment	6	71,693,775	72,538,042
Non-current assets		**75,517,440**	**75,955,195**
TOTAL ASSETS		**$ 386,404,690**	**$ 292,397,761**
LIABILITIES			
Current			
Bank indebtedness	7	$ 136,922,386	$ 79,439,289
Repurchase obligations	8	39,208,967	-
Accounts payable and accrued liabilities		16,003,572	3,141,089
Derivatives	10(a)	1,044,203	2,917,960
Management fees payable	12(a)	229,534	267,223
Due to Manager	12(b)	18,198	55,000
Current portion of long-term debt	9(a)	4,819,004	4,877,740
Current liabilities		**198,245,864**	**90,698,301**
Long-term debt	9(a)	39,923,258	42,959,816
Deferred income taxes		501,713	2,839,991
Non-current liabilities		**40,424,971**	**45,799,807**
TOTAL LIABILITIES		**238,670,835**	**136,498,108**
SHAREHOLDERS' EQUITY			
Common shares	11(c)	138,473,530	140,678,062
Warrants	11(c)	202,384	202,384
Contributed surplus		9,026,038	9,026,038
Currency translation account		(4,869,534)	(3,290,879)
Retained earnings		4,901,437	9,284,048
TOTAL SHAREHOLDERS' EQUITY		**147,733,855**	**155,899,653**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 386,404,690**	**$ 292,397,761**

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

ON BEHALF OF THE BOARD

"Mary Parniak" *Director* ***"Brain Little"*** *Director*

CERES GLOBAL AG CORP.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three-month and six-month periods ended September 30

(Unaudited)

	Note	3 months 2012	3 months 2011	6 months 2012	6 months 2011
REVENUES		$ 35,131,894	$ 35,043,501	$ 78,076,335	$ 124,652,071
Cost of sales		(34,065,531)	(30,896,172)	(75,583,645)	(114,316,143)
GROSS PROFIT		**1,066,363**	**4,147,329**	**2,492,690**	**10,335,928**
General and administrative expenses		(2,615,960)	(3,399,279)	(5,037,814)	(6,155,404)
INCOME (LOSS) FROM OPERATIONS		(1,549,597)	748,050	(2,545,124)	4,180,524
Finance income (loss)	10(a)	901,748	(1,371,200)	(1,463,106)	(1,824,028)
Finance expenses		(2,357,051)	(1,495,042)	(4,155,099)	(3,113,118)
LOSS BEFORE INCOME TAXES AND UNDERNOTED ITEM		**(3,004,900)**	**(2,118,192)**	**(8,163,329)**	**(756,622)**
Income taxes (recovery)		(1,504,931)	(300,656)	(2,588,701)	406,214
LOSS BEFORE UNDERNOTED ITEM		**(1,499,969)**	**(1,817,536)**	**(5,574,628)**	**(1,162,836)**
Share of net income (loss) in investments in associates		366,752	(215,150)	410,802	(525,248)
NET LOSS FOR THE PERIOD		**(1,133,217)**	**(2,032,686)**	**(5,163,826)**	**(1,688,084)**
Other comprehensive (loss) gain for the period					
(Loss) gain on translation of foreign currency accounts of foreign operations		(3,873,579)	8,978,624	(1,578,655)	8,133,915
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**$ (5,006,796)**	**$ 6,945,938**	**$ (6,742,481)**	**$ 6,445,831**
WEIGHTED-AVERAGE NUMBER OF SHARES FOR THE PERIOD		**14,405,714**	**15,047,419**	**14,458,587**	**15,110,371**
EARNINGS (LOSS) PER SHARE					
Basic		**$ (0.08)**	**$ (0.14)**	**$ (0.36)**	**$ (0.11)**
Diluted		**$ (0.08)**	**$ (0.14)**	**$ (0.36)**	**$ (0.11)**
Supplemental disclosure of selected information:					
Depreciation included in Cost of sales		$ 690,115	$ 628,408	$ 1,387,188	$ 1,152,234
Depreciation included in General and administrative expenses		$ 35,363	$ (2,837)	$ 71,234	$ 29,681
Amortization of financing costs included in Finance expenses		$ 292,130	$ 202,914	$ 484,378	$ 344,583
Personnel costs included in Cost of sales	16	$ 468,216	$ 523,575	$ 884,091	$ 1,006,076
Personnel costs included in General and administrative expenses	16	$ 110,078	$ 113,241	$ 249,819	$ 221,440

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

CERES GLOBAL AG CORP.
Interim Condensed Consolidated Statements of Cash Flows
For the three-month and six-month periods ended September 30
(Unaudited)

	Note	3 months		6 months	
		2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss for the period		$ (1,133,217)	$ (2,032,686)	$ (5,163,826)	$ (1,688,084)
Adjustments for:					
Amortization of property, plant and equipment		725,478	625,571	1,458,422	1,181,915
Realized gain on sale of investments		-	-	-	(579,051)
Change in fair value of investments		829,485	(331,308)	2,262,069	761,419
Finance expense		2,357,051	1,495,042	4,155,099	3,113,118
Income tax expense (recovery)		(1,504,931)	(300,656)	(2,588,701)	406,214
Share of net (income) loss in investments in associates		(366,752)	215,150	(410,802)	525,248
		907,114	(328,887)	(287,739)	3,720,779
Changes in non-cash working capital accounts	14	(105,981,067)	(49,072,143)	(88,123,370)	19,196,863
Interest paid		(1,810,879)	(960,128)	(3,471,134)	(3,007,484)
Income taxes recovered (paid)		(7,400)	(1,010,628)	1,003,000	(1,000,633)
Cash flow provided by (used in) operating activities		**(106,892,232)**	**(51,371,786)**	**(90,879,243)**	**18,909,525**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments, investments sold short and options		-	-	(250,000)	-
Proceeds from sale of investments, short sales and option premiums		-	-	-	4,357,163
Acquisition of property, plant and equipment	6	(1,010,148)	(9,425,482)	(1,580,960)	(12,554,325)
Cash flow used in investing activities		**(1,010,148)**	**(9,425,482)**	**(1,830,960)**	**(8,197,162)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from bank indebtedness		76,346,400	63,038,300	60,180,000	18,998,850
Net proceeds from (net repayment of) repurchase obligations		39,998,570	(12,743,878)	39,998,570	(37,604,846)
Financing costs paid on amendment of revolving line of credit facility		(787,355)	(316,648)	(787,355)	(316,648)
Repayment of long-term debt		(1,256,945)	(858,112)	(2,532,575)	(1,705,024)
Change in restricted cash		(6,157,208)	-	(6,157,208)	-
Repurchase of common shares under normal course issuer bid	11(b)	(659,352)	(1,115,545)	(1,423,317)	(1,997,493)
Cash flow provided by (used in) financing activities		**107,484,110**	**48,004,117**	**89,278,115**	**(22,625,161)**
Foreign exchange cash flow adjustment on accounts denominated in a foreign currency		**(193,200)**	**(140,641)**	**(167,449)**	**(183,038)**
Decrease in cash for the period		**(611,470)**	**(12,933,792)**	**(3,599,537)**	**(12,095,836)**
Cash, beginning of period		26,745,896	47,674,797	29,733,963	46,836,841
Cash, end of period		**$ 26,134,426**	**$ 34,741,005**	**$ 26,134,426**	**$ 34,741,005**

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 six-month periods ended September 30
(Unaudited)

	Note	Common shares	Warrants	Contributed surplus	Cumulative translation account	Retained earnings (deficit)	Total
Balances, April 1, 2012		**$ 140,678,062**	**$ 202,384**	**$ 9,026,038**	**$ (3,290,879)**	**$ 9,284,048**	**$ 155,899,653**
Changes in six-month period ended September 30, 2012							
Repurchases under normal course issuer bid	11(b)	(2,204,532)	-	-	-	781,215	(1,423,317)
Other comprehensive loss		-	-	-	(1,578,655)	-	(1,578,655)
Net loss for the period		-	-	-	-	(5,163,826)	(5,163,826)
Balances, September 30, 2012		**$ 138,473,530**	**$ 202,384**	**$ 9,026,038**	**$ (4,869,534)**	**$ 4,901,437**	**$ 147,733,855**
Balances, April 1, 2011		**$ 146,947,393**	**$ 202,384**	**$ 9,026,038**	**$ (5,786,261)**	**$ 10,954,155**	**$ 161,343,709**
Changes in six-month period ended September 30, 2011							
Repurchases under normal course issuer bid	11(b)	(2,511,265)	-	-	-	513,772	(1,997,493)
Other comprehensive income		-	-	-	8,133,915	-	8,133,915
Net loss for the period		-	-	-	-	(1,688,084)	(1,688,084)
Balances, September 30, 2011		**$ 144,436,128**	**$ 202,384**	**$ 9,026,038**	**$ 2,347,654**	**$ 9,779,843**	**$ 165,792,047**

The accompanying notes are an integral part of these financial statements

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). Ceres is a corporation domiciled in Canada, and the address of its registered office is 33 Yonge Street, Suite 600, Toronto, Ontario, Canada, M5E 1G4. These interim condensed consolidated financial statements of Ceres as at and for the three-month and six-month periods ended September 30, 2012 include the accounts of Ceres and its six wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Riverland Ag is an agricultural grain supply ingredient company that currently owns and operates fifteen storage and handling facilities in the American states of Minnesota, North Dakota, Wyoming, New York, Wisconsin and the Canadian province of Ontario.

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 November 9, 2012.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Corporation's functional currency.

Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost 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, 2012. The Corporation's significant accounting policies were presented in Note 3 of those audited financial statements.

4. PORTFOLIO INVESTMENTS

	September 30, 2012	March 31, 2012
Total fair value	$ 7,860,995	$ 9,873,064
Total cost	$ 12,650,857	$ 12,387,501

5. DUE FROM (TO) BROKERS

Due from Broker for Ceres' portfolio investments represents amounts at the custodian brokers from settled and unsettled trades. Due from Broker for Riverland Ag for commodity futures and options contracts represents margin deposits and open trade equity maintained by a broker in connection with such contracts.

6. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2012	March 31, 2012
Buildings and silos/elevators	$ 62,653,617	$ 62,883,609
Machinery and equipment	3,463,212	3,380,918
Furniture, fixtures, office equipment, computer software, and other property, plant and equipment	1,930,462	1,664,782
Land	9,349,160	8,696,994
	77,396,451	76,626,303
Less: accumulated depreciation	(5,702,676)	(4,088,261)
	$ 71,693,775	**$ 72,538,042**

For the six-month period ended September 30, 2012, additions to property, plant and equipment totalled $1,580,960 (2011: $12,554,325). For the quarter ended September 30, 2012, additions to property, plant and equipment totalled $1,010,148 (2011: $9,425,482).

7. BANK INDEBTEDNESS

Riverland Ag has a revolving credit agreement with a lender based in the United States of America, for a syndicated committed facility of USD$180 million, and secured by predominantly all assets of Riverland Ag, including cash but excluding property, plant and equipment. The obligation is guaranteed by Riverland Ag and by Ceres Canada Holding Corp., Ceres U.S. Holding Corp., and Riverland Canada. The credit agreement is subject to borrowing base limitations. The agreement may be extended by mutual agreement of Riverland Ag and the lenders prior to the expiration of the agreement.

For the period from April 1, 2012 to July 30, 2012, borrowings were subject to interest at LIBOR plus 4.00 per cent, with interest calculated and paid monthly. Thereafter, and pursuant to the amended and restated agreement, borrowings were subject to interest at LIBOR plus 3.75 per cent, with interest calculated and paid monthly. The credit agreement is subject to certain commitment fees based on a graduated scale depending on the amount of the credit facility that remains undrawn. The commitment fees are payable quarterly in arrears on the average daily undrawn amount.

As described in Note 15 (Management of capital), this credit facility has certain covenants pertaining to the accounts of Riverland Ag. As at September 30, 2012 and March 31, 2012, Riverland Ag was in compliance with all debt covenants.

The following is a summary of the carrying amount of bank indebtedness:

	September 30, 2012		March 31, 2012	
	in USD	in CAD	in USD	in CAD
Revolving line of credit	$ 140,000,000	$ 137,648,000	$ 80,000,000	$ 79,800,000
Unamortized financing costs	(738,012)	(725,614)	(361,615)	(360,711)
	$ 139,261,988	**$ 136,922,386**	**$ 79,638,385**	**$ 79,439,289**

8. REPURCHASE OBLIGATIONS

As at September 30, 2012, Riverland Ag has open repurchase commitments under its product financing arrangement with MCUSA to repurchase 4,800,000 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 in the third and fourth quarters of the fiscal year ending March 31, 2013 ("FYE 2013"). Since Riverland Ag is obligated to repurchase these commodities from MCUSA, it has not recognized these transactions as sales. As at September 30, 2012, the Corporation continues to recognize the inventory owned by Riverland Ag in this regard on its interim consolidated balance sheet and has recorded a liability of USD$39,878,933 at that date (CAD$39,208,967), plus accrued interest payable (March 31, 2012: liability of $nil). As at September 30, 2012, the fixed interest rates on the open repurchase commitments range from 4.07 per cent to 4.46 per cent.

9. LONG-TERM DEBT

(a) Terms and conditions of loans, and loan balances

Riverland Ag has a ten-year term loan agreement in the amount of USD$10 million with Great Western Bank, bearing a fixed annual interest rate of 6.60 per cent (“GWB loan #2”). This loan matures on February 12, 2021, and is guaranteed by Riverland Ag and the Corporation’s wholly owned subsidiaries. The loan is repayable in 120 equal monthly principal installments of USD$83,333 plus interest.

Riverland Ag has a 10-year secured term loan agreement in the amount of USD$40.5 million with Great Western Bank, bearing a fixed annual interest rate of 5.35 per cent (“GWB loan #3”). This loan matures on December 12, 2021 and is guaranteed by Riverland Ag and the Corporation’s wholly owned subsidiaries. The loan is repayable in 120 monthly installments requiring a level principal repayment of USD$337,500 plus interest.

Long-term debt is summarized as follows:

	September 30, 2012		March 31, 2012	
	in USD	in CAD	in USD	in CAD
GWB loan #2	$ 8,416,667	$ 8,275,268	$ 8,916,667	$ 8,894,375
GWB loan #3	37,462,500	36,833,130	39,487,500	39,388,781
	45,879,167	45,108,398	48,404,167	48,283,156
Unamortized financing costs	(372,391)	(366,136)	(446,717)	(445,600)
Net carrying amounts	45,506,776	44,742,262	47,957,450	47,837,556
Portion due within twelve months	(5,050,000)	(4,965,160)	(5,050,000)	(5,037,375)
Unamortized financing costs on current portion	148,653	146,156	160,035	159,635
Current portion, net of unamortized financing costs	(4,901,347)	(4,819,004)	(4,889,965)	(4,877,740)
Long-term portion of term loans payable, net of unamortized financing costs	**$ 40,605,429**	**$ 39,923,258**	**$ 43,067,485**	**$ 42,959,816**

As at September 30, 2012, the annual remaining principal repayments of long-term debt over the next five fiscal years are as follows:

	in USD	in CAD
Fiscal year ending March 31, 2013	$ 2,525,000	$ 2,482,580
Fiscal year ending March 31, 2014	5,050,000	4,965,160
Fiscal year ending March 31, 2015	5,050,000	4,965,160
Fiscal year ending March 31, 2016	5,050,000	4,965,160
Fiscal year ending March 31, 2017	5,050,000	4,965,160
Thereafter until the fiscal year ending March 31, 2022	23,154,167	22,765,178
	$ 45,879,167	**$ 45,108,398**

9. LONG-TERM DEBT (continued)

(a) Terms and conditions of loans, and loan balances (continued)

USD amounts were translated to CAD using the exchange rates effective as at the reporting dates. As at the date of preparation of these interim condensed consolidated financial statements, management cannot predict with reasonable certainty the exchange rate that would apply on the dates on which interest and principal payments are due. Future foreign exchange rates will vary from the rates effective as at the reporting dates and such variances may be material.

As described in Note 15 (Management of capital), both term loans have certain restrictive debt covenant requirements, which Riverland Ag is required to meet. As at September 30, 2012 and March 31, 2012, Riverland Ag was in compliance with all debt covenants.

(b) Restricted cash – payment reserve account

On August 1, 2012, Riverland Ag opened a cash account with Great Western Bank ("GWB"), its lender under the long-term facility, and deposited cash of USD$7,551,079. This amount represents the aggregate of principal and interest payments due until July 31, 2013 on Riverland Ag's long-term debt. GWB was granted a security interest, and a right of offset, in these funds on deposit. The deposit is restricted, and GWB will withdraw funds from this account on a monthly basis, as and when principal and interest payments are due.

10. 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:

	September 30, 2012	March 31, 2012
Derivative assets		
Unrealized gains on open cash contracts	$ 2,888,198	$ 2,955,578
Derivative liabilities		
Unrealized losses on open cash contracts	$ (1,044,203)	$ (2,917,960)

10. FINANCIAL INSTRUMENTS (continued)

(a) Fair value of financial instruments (continued)

Finance income (loss) for the three-month and six-month periods ended September 30, 2012 and 2011 include the following:

	3 months 2012	3 months 2011	6 months 2012	6 months 2011
Dividend revenues, net of withholding taxes	$ -	$ 3,538	$ -	$ 17,219
Interest and other revenues, net of interest expense on bonds sold short	2	1,716	117	3,575
Realized gain on sale of investments	-	-	-	579,051
Realized gain on sale of property, plant and equipment	-	-	87,926	-
Realized gain (loss) on currency-hedging transactions	1,750,070	(1,803,995)	719,217	(1,772,530)
Realized and unrealized (loss) gain on foreign exchange	(18,839)	96,233	(8,297)	110,076
Change in fair value of investments	(829,485)	331,308	(2,262,069)	(761,419)
	$ 901,748	**$ (1,371,200)**	**$ (1,463,106)**	**$ (1,824,028)**

(b) 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, 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 September 30, 2012 and March 31, 2012, the Corporation's market risk pertaining to portfolio investments is potentially affected by two main components, being changes in actual market prices and changes in foreign exchange rates. The Corporation's sensitivity to foreign currency movements is reported below (Currency risk).

Notwithstanding these factors, the following is a summary of the effect on the results of operations of the Corporation, if the bid or ask prices of each of the portfolio investments (including investments owned, short sales and written options) as at September 30, 2012 and March 31, 2012 had increased or decreased by 10 per cent, with all other variables remaining constant:

	September 30, 2012		March 31, 2012	
Change in bid/ask prices of investments	Increase (decrease) in net income	Increase (decrease) in earnings per share	Increase (decrease) in net income	Increase (decrease) in earnings per share
10% increase in bid-ask prices	$ 786,100	$ 0.05	$ 199,850	$ 0.01
10% decrease in bid-ask prices	$ (786,100)	$ (0.05)	$ (199,850)	$ (0.01)

10. FINANCIAL INSTRUMENTS (continued)

(b) Management of financial instruments risks (continued)

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 September 30, 2012 and March 31, 2012 had increased or decreased by 5 per cent, with all other variables remaining constant:

	September 30, 2012		March 31, 2012	
Change in bid/ask prices of commodities	Increase (decrease) in net income	Increase (decrease) in earnings per share	Increase (decrease) in net income	Increase (decrease) in earnings per share
5% increase in bid-ask prices	$ 226,286	$ 0.02	$ 126,572	$ 0.01
5% decrease in bid-ask prices	$ (226,286)	$ (0.02)	$ (126,572)	$ (0.01)

Interest rate risk

As at September 30, 2012 and March 31, 2012, Riverland Ag has a variable rate interest-bearing liability in the form of its revolving credit facility. As disclosed in Note 7 (Bank indebtedness), Riverland Ag's revolving credit facility bears interest at an annual rate of LIBOR plus 3.75 per cent (March 31, 2012: annual rate of LIBOR plus 4.00 per cent). As at September 30, 2012 and March 31, 2012, 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:

	September 30, 2012		March 31, 2012	
Change in interest rate on revolving facility	Decrease in net income	Decrease in earnings per share	Decrease in net income	Decrease in earnings per share
25 bps increase in annual interest rate	$ (344,120)	$ (0.02)	$ (199,500)	$ (0.01)

10. FINANCIAL INSTRUMENTS (continued)

(b) Management of financial instruments risks (continued)

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 September 30, 2012 and March 31, 2012, the Corporation is subject to credit risk concerning cash, amounts due from brokers, trade accounts receivable, and to the extent that 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 for the Corporation. The Corporation's management 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 are substantially current. Based on its review and assessment of its trade accounts receivable, management of Riverland Ag has determined that no allowance for doubtful accounts is warranted, and management is confident in its ability to collect outstanding trade accounts receivable.

10. FINANCIAL INSTRUMENTS (continued)

(b) Management of financial instruments risks (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments, as at September 30, 2012 and March 31, 2012:

September 30, 2012	Carrying amount	Contractual cash flows	1 year	2 years	3 to 5 years	More than 5 years
Bank indebtedness	$ 136,922,386	$ 137,648,000	$ 137,648,000	$ -	$ -	$ -
Repurchase obligations	39,208,967	39,208,967	39,208,967	-	-	-
Accounts payable and accrued liabilities	16,003,572	16,003,572	16,003,572	-	-	-
Derivatives	1,044,203	1,044,203	1,044,203	-	-	-
Management fees payable	229,534	229,534	229,534	-	-	-
Due to Manager	18,198	18,198	18,198	-	-	-
Long-term debt	44,742,262	56,628,081	7,354,168	7,076,242	19,565,463	22,632,208
	$ 238,169,122	$ 250,780,555	$ 201,506,642	$ 7,076,242	$ 19,565,463	$ 22,632,208

March 31, 2012	Carrying amount	Contractual cash flows	1 year	2 years	3 to 5 years	More than 5 years
Bank indebtedness	$ 79,439,289	$ 79,800,000	$ 79,800,000	$ -	$ -	$ -
Accounts payable and accrued liabilities	3,141,089	3,141,089	3,141,089	-	-	-
Derivatives	2,917,960	2,917,960	2,917,960	-	-	-
Management fees payable	267,223	267,223	267,223	-	-	-
Due to Manager	55,000	55,000	55,000	-	-	-
Long-term debt	47,837,556	61,298,947	7,603,273	7,321,304	20,276,459	26,097,911
	$ 133,658,117	$ 147,480,219	$ 93,784,545	$ 7,321,304	$ 20,276,459	$ 26,097,911

10. FINANCIAL INSTRUMENTS (continued):

(b) 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 "CAD"). Therefore, Ceres is exposed to currency risk, as the value of any assets or liabilities denominated in currencies other than CAD will vary due to changes in foreign exchange rates.

The following is a summary, at fair value, of Ceres' exposure to currency risks:

	September 30, 2012		March 31, 2012	
Currency	Net asset exposure*	Net forward contracts (to sell foreign currency)	Net asset exposure*	Net forward contracts (to sell foreign currency)
U.S. dollars	$ 2,530,933	$ 32,200,000	$ 2,530,933	$ 32,494,151
Australian dollars	$ 806	$ -	$ 803	$ -

*Exposure excludes the effect of forward foreign exchange contracts.

As at September 30, 2012, Ceres was committed to a forward foreign exchange contract executed on September 28, 2012 and due October 31, 2012, as noted in the preceding table.

The following is a summary of the effect on the results of operations of the Corporation if the CAD had become 5 per cent stronger or weaker against each of the other currencies as at September 30, 2012 and March 31, 2012, with all other variables remaining constant, related to assets and liabilities denominated in foreign currencies and to the forward foreign exchange contracts:

	September 30, 2012		March 31, 2012	
Change in foreign exchange rate	Increase (decrease) in net income	Increase (decrease) in earnings per share	Increase (decrease) in net income	Increase (decrease) in earnings per share
CAD 5% stronger	$ 1,464,485	$ 0.10	$ 1,502,954	$ 0.10
CAD 5% weaker	$ (1,452,007)	$ (0.10)	$ (1,490,274)	$ (0.10)

10. FINANCIAL INSTRUMENTS (continued):

(c) Fair value measurements

The following is a summary of the classification of financial instruments carried at fair value (portfolio investments and derivatives assets and liabilities, and of (options and forward foreign exchange contracts)) using the hierarchy of inputs described in Note 3 (Summary of significant accounting policies – fair value measurements):

September 30, 2012	Level 1	Level 2	Level 3	Totals
Equities, long	$ 3,412,237	$ -	$ 4,448,758	$ 7,860,995
Due from broker, unrealized gains on futures and options	1,914,325	-	-	1,914,325
Derivative assets	-	2,888,198	-	2,888,198
Inventories, grains	-	248,954,586	-	248,954,586
Due to broker, unrealized losses on futures and options	(9,477,333)	-	-	(9,477,333)
Derivative liabilities	-	(1,044,203)	-	(1,044,203)
	$ (4,150,801)	$250,798,581	$ 4,448,758	$ 251,096,538

The following is a reconciliation of the changes in the equities, long, measured at fair value using unobservable inputs (Level 3), for the six-month period ended September 30, 2012:

Balance, April 1, 2012	$ 3,861,027
Net purchase	250,000
Change in fair value of Level 3 portfolio investments	337,731
	$ 4,448,758

March 31, 2012	Level 1	Level 2	Level 3	Totals
Equities, long	$ 6,012,037	$ -	$ 3,861,027	$ 9,873,064
Derivative assets	-	2,955,578	-	2,955,578
Inventories, grains	-	158,400,586	-	158,400,586
Due to broker, unrealized losses on futures and options	(6,590,043)	-	-	(6,590,043)
Derivative liabilities	-	(2,917,960)	-	(2,917,960)
	$ (578,006)	$ 158,438,204	$ 3,861,027	$ 161,721,225

11. SHARE CAPITAL AND WARRANTS

(a) Authorized

Unlimited number of voting, participating Common Shares, without par value; and 150,000 Common Share Purchase Warrants, expiring on June 11, 2013 and entitling each holder thereof to acquire one Common Share of the Corporation at a price of $10.40 each.

(b) Normal Course Issuer Bids

<u>2010-2011 Normal Course Issuer Bid</u>

On October 7, 2010, Ceres announced a normal course issuer bid ("the 2010-2011 NCIB") commencing on October 8, 2010. For the period from April 1, 2011 to September 30, 2011, Ceres purchased 260,293 Shares under the 2010-2011 NCIB for an aggregate consideration of $1,997,493. The stated capital value of the repurchased Shares was $2,511,265. The excess of the stated capital value of the repurchased Shares over the cost thereof, being $513,772, has been allocated during the six-month period ended September 30, 2011 to Retained Earnings.

<u>2011-2012 Normal Course Issuer Bid</u>

On October 13, 2011, Ceres announced a normal course issuer bid ("the 2011-2012 NCIB") commencing on October 17, 2011. For the period from April 1, 2012 to September 30, 2012, Ceres purchased 228,500 Shares under the 2011-2012 NCIB for an aggregate consideration of $1,423,317. The stated capital value of these repurchased Shares was $2,204,532. The excess of the stated capital value of the repurchased Shares over the cost thereof, being $781,215, has been allocated to Retained Earnings in the six-month period ended September 30, 2012.

(c) Issued and outstanding as at September 30, 2012 and March 31, 2012

The following is a summary of the changes in the Common Shares and Warrants during the year ended March 31, 2012 ("FYE 2012") and for the six-month period ended September 30, 2012 ("FYTD 2013"):

	Common shares		Warrants	
	#	$	#	$
Balances, April 1, 2011	**15,231,116**	**$ 146,947,393**	**150,000**	**$ 202,384**
Changes in FYE 2012				
Repurchases under normal course issuer bid	(649,817)	(6,269,331)	-	-
Balances, March 31, 2012	**14,581,299**	**$ 140,678,062**	**150,000**	**$ 202,384**
Changes in FYTD 2013				
Repurchases under normal course issuer bid	(228,500)	(2,204,532)	-	-
Balances, September 30, 2012	**14,352,799**	**$ 138,473,530**	**150,000**	**$ 202,384**

12. MANAGEMENT FEES AND OTHER EXPENSES

(a) Management fees

For the six-month period ended September 30, 2012, management fees charged to operations total $1,586,606 (six-month period ended September 30, 2011: $1,855,446). For the quarter ended September 30, 2012, management fees charged to operations total $782,934 (quarter ended September 30, 2011: $860,110). Management fees are included with General and administrative expenses. As at September 30, 2012, management fees payable to the Manager amounted to $229,534 (March 31, 2012: $267,223).

(b) Other expenses

The Corporation is responsible for paying fees and expenses incurred in its operations and administration, except fees and expenses to be borne by the Manager as set out in the Management Agreement. In addition to the Management Fees and Incentive Fees (if any) payable to the Manager, the Corporation shall reimburse the Manager for all expenses it incurs related to its duties (including payments to third parties in that regard) to the extent such expenses were incurred for and on behalf of the Corporation. As at September 30, 2012, the amount of $18,198 was due to the Manager (March 31, 2012: $55,000).

13. RELATED PARTY TRANSACTIONS

(a) Management fees

The amounts charged to operations related to management fees have been reported in Note 12(a) (Management fees and other expenses – management fees).

(b) 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 six-month periods ended September 30:

	3 months		6 months	
	2012	2011	2012	2011
Salaries and other compensation, senior executive officers	$ 182,941	$ 262,467	$ 368,602	$ 377,405
Personnel costs, senior executive officers	21,364	13,999	32,028	17,516
Directors' fees	34,903	63,509	69,718	82,627
	$ 239,208	**$ 339,975**	**$ 470,348**	**$ 477,548**

14. CHANGES IN NON-CASH WORKING CAPITAL ACCOUNTS

	3 months		6 months	
	2012	2011	2012	2011
Increase in due from Broker, commodity futures contracts	$ (808,535)	$ (4,712,692)	$ (6,256,782)	$ (7,868,273)
(Increase) decrease in net derivative assets	(272,840)	3,491,203	(1,843,305)	3,935,757
Decrease in accounts receivable	465,514	4,613,132	875,386	3,433,504
(Increase) decrease in inventories	(116,593,187)	(58,417,393)	(94,449,873)	13,228,616
(Increase) decrease in prepaid expenses	(6,577)	(708,054)	670,998	(691,378)
Increase in accounts payable and accrued liabilities	11,239,881	6,661,229	12,954,697	7,033,559
(Decrease) increase in management fees payable	(23,521)	432	(37,689)	125,078
Increase (decrease) in due to Manager	18,198	-	(36,802)	-
	$ (105,981,067)	**$ (49,072,143)**	**$ (88,123,370)**	**$ 19,196,863**

15. MANAGEMENT OF CAPITAL

Riverland Ag, the operating subsidiary of Ceres, has capital requirements imposed by its lenders. As at September 30, 2012, Riverland Ag is required to comply with the following primary financial covenants and ratios, among others:

Revolving credit facility (Note 7)

This credit facility has certain covenants, including the maintenance of:

(a) the ratio of “consolidated debt” to “consolidated tangible net worth” (as defined by the agreement) of not more than 4.0 to 1.0;
(b) consolidated working capital of not less than USD$50 million; and
(c) consolidated tangible net worth of not less than USD$90 million.

Secured term loans (Note 9)

The term loans are subject to the following restrictive debt covenant requirements:

(a) a ratio of “liabilities” to “tangible net worth” (as defined by the agreement) of 2.5 to 1.0 or more;
(b) consolidated working capital of not less than USD$50 million;
(c) consolidated net worth of not less than USD$90 million; and
(d) other restrictions including the payment of dividends or other distributions to shareholders.

15. MANAGEMENT OF CAPITAL (continued)

The revolving credit facility and the secured term loans are subject to a minimum debt service coverage ratio, as follows:

a) a minimum ratio of 0.60 to 1.00 for the quarter ended September 30, 2012;
b) a minimum ratio of 0.65 to 1.00 for the quarter ending December 31, 2012;
c) a minimum ratio of 0.70 to 1.00 for the quarter ending March 31, 2013;
d) a minimum ratio of 1.25 to 1.00 for the quarter ending June 30, 2013; and
e) a minimum ratio of 1.50 to 1.00 thereafter.

As at September 30, 2012 and March 31, 2012, Riverland Ag was in compliance with debt covenants for the revolving credit facility and the secured term loans.

16. COMPARATIVE FIGURES

Comparative figures concerning personnel costs included in Cost of sales and in General and administrative expenses, as previously reported as “Supplemental disclosure of selected information” in the interim condensed consolidated statement of comprehensive income for the six-month period and the quarter ended September 30, 2011, have been revised for that quarter. Previously reported figures included amounts only for Riverland’s contribution to the 401(k) plan for the period. Revised figures also now include other personnel costs also recorded in Cost of sales that were inadvertently omitted. These revisions have no effect on net income for that period.