

Unaudited Interim Condensed Consolidated Financial Statements of



*For the three-month periods ended September 30, 2016 and 2015
(Expressed in US Dollars)*

CERES GLOBAL AG CORP.
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September 30, 2016

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

	Note	Restated (see Note 2)		
		September 30, 2016	June 30, 2016	April 1, 2015
ASSETS				
Current				
Cash		\$ 376,273	\$ 723,321	\$ 4,062,674
Due from brokers	5	4,773,973	5,458,819	6,835,418
Unrealized gains on open cash contracts (derivatives)	6	4,844,014	5,106,168	7,493,264
Accounts receivable, trade		16,664,036	13,457,510	6,257,573
Inventories, grains		109,929,511	102,616,595	117,022,684
Sales taxes recoverable		264,652	131,015	899,692
Prepaid expenses and sundry assets		1,934,901	1,895,386	1,115,883
Portfolio investments, at fair value	6	3,337,120	3,384,669	670,909
Current assets		142,124,480	132,773,483	144,358,097
Investments in associate(s)		2,838,522	2,946,601	4,445,034
Grain exchange memberships		300,000	300,000	300,000
Property, plant and equipment	7	119,542,034	118,817,040	95,277,708
Non-current assets		122,680,556	122,063,641	100,022,742
TOTAL ASSETS		\$ 264,805,036	\$ 254,837,124	\$ 244,380,839
LIABILITIES				
Current				
Bank indebtedness	8	\$ 54,414,034	\$ 55,584,100	\$ 14,820,756
Current portion of long-term debt	8	22,949,048	1,642,379	-
Accounts payable and accrued liabilities		28,534,033	16,007,014	13,754,313
Repurchase obligations		-	-	14,740,904
Unrealized losses on open cash contracts (derivatives)	6	3,806,933	2,568,309	2,062,395
Provision for future payments to Front Street Capital		37,289	73,325	272,109
Derivative warrant liability	11	1,522	104,971	1,359,753
Current liabilities		109,742,859	75,980,098	47,010,230
Long-term debt	8	-	21,259,266	24,032,044
Deferred income taxes		-	-	234,908
TOTAL LIABILITIES		109,742,859	97,239,364	71,277,182
SHAREHOLDERS' EQUITY				
Common shares	12	199,591,828	199,605,980	200,640,476
Deferred share units	13	671,871	616,962	277,108
Contributed surplus	14	9,451,283	9,431,547	9,279,338
Accumulated other comprehensive income		(22,605,951)	(21,360,954)	(18,105,009)
Deficit		(32,046,854)	(30,695,775)	(18,988,256)
TOTAL SHAREHOLDERS' EQUITY		155,062,177	157,597,760	173,103,657
CONTINGENCIES AND COMMITMENTS				
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 264,805,036	\$ 254,837,124	\$ 244,380,839

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

ON BEHALF OF THE BOARD

Signed "Gary Mize"

Director

Signed "Doug Speers"

Director

CERES GLOBAL AG CORP.**Interim Condensed Consolidated Statements of Comprehensive Income (Loss)****For the three-month period ended September 30****Expressed in USD****(Unaudited)**

	<u>Note</u>	<u>2016</u>	<u>2015</u>
REVENUES	\$	155,927,361	\$ 72,955,838
Cost of sales		(154,056,318)	(71,856,111)
GROSS PROFIT (LOSS)		1,871,043	1,099,727
General and administrative expenses		(2,476,139)	(1,932,592)
INCOME (LOSS) FROM OPERATIONS		(605,096)	(832,865)
Finance income (loss)	9	170,321	1,109,987
Revaluation of derivative warrant liability		102,843	538,939
Interest expense	10	(954,170)	(724,145)
INCOME (LOSS) BEFORE INCOME TAXES AND UNDERNOTED ITEM		(1,286,102)	91,916
Income tax (expense) recovery		(2,912)	5,907
INCOME (LOSS) BEFORE UNDERNOTED ITEM		(1,289,014)	97,823
Share of net income (loss) in investments in associate(s)		(66,929)	(36,907)
NET INCOME (LOSS) FOR THE PERIOD		(1,355,943)	60,916
Other comprehensive income (loss) for the period			
(Loss) gain on translation of foreign currency accounts of foreign operations		(1,244,997)	(5,823,141)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$	(2,600,940)	\$ (5,762,225)
WEIGHTED-AVERAGE NUMBER OF SHARES FOR THE PERIOD		26,888,742	27,057,655
EARNINGS (LOSS) PER SHARE			
Basic	\$	(0.05)	\$ 0.00
Diluted	\$	(0.05)	\$ 0.00
Supplemental disclosure of selected information:			
Depreciation included in Cost of sales	\$	1,157,723	\$ 642,671
Depreciation included in General and administrative expenses	\$	21,380	\$ 11,337
Amortization of financing costs included in Interest expense	\$	172,095	\$ 104,286
Personnel costs included in Cost of sales	\$	350,245	\$ 349,339
Personnel costs included in General and administrative expenses	\$	164,593	\$ 199,169

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

CERES GLOBAL AG CORP.

Interim Condensed Consolidated Statements of Cash Flows

For the three-month periods ended September 30

Expressed in USD

(Unaudited)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net (loss) income for the period		\$ (1,355,943)	\$ 60,916
Adjustments for:			
Depreciation of property, plant and equipment		1,179,103	654,008
Revaluation of derivative warrant liability		(102,843)	(538,939)
Interest expense	10	954,170	724,145
Income taxes (recovery)		2,912	(5,907)
Share incentive compensation	14	19,736	35,919
Deferred share units issued to Directors and fair value adjustment		54,909	86,220
Share of net income in investments in associates		66,929	36,907
Revaluation of portfolio investments	9	-	(1,031,658)
Revaluation for future payments to Front Street Capital		(35,281)	(109,319)
Changes in non-cash working capital accounts	15	5,041,703	(5,048,639)
Interest paid		(799,673)	(490,608)
Income taxes recovered (paid)		(11,840)	45,427
Cash flow provided by (used in) operating activities		5,013,882	(5,581,528)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	7	(3,820,335)	(6,808,368)
Cash flow used in investing activities		(3,820,335)	(6,808,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds of bank indebtedness		(1,000,000)	57,000,000
Repurchase of common shares under normal course issuer bid	12	(9,288)	-
Cash flow (used in) provided by financing activities		(1,009,288)	57,000,000
Foreign exchange cash flow adjustment on accounts denominated in a foreign currency		(236,451)	(722,906)
Increase (decrease) in cash for the period		(52,192)	43,887,198
Cash, beginning of period		(110,261)	2,916,289
Cash and cash equivalents, end of period		\$ (162,453)	\$ 46,803,487
Cash		376,273	46,803,487
Cheques issued in excess of cash on hand		(538,726)	-
Cash and cash equivalents, end of period		\$ (162,453)	\$ 46,803,487

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

CERES GLOBAL AG CORP.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three-month periods ended September 30

Expressed in USD

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	Note	Common shares	Deferred share units	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balances, April 1, 2015		\$ 200,640,476	\$ 277,108	\$ 9,279,338	\$ (18,105,009)	\$ (18,988,256)	\$ 173,103,657
<i>Transactions with Shareholders</i>							
Issuance of Deferred Share Units	13	-	122,952	-	-	-	122,952
Redemption of Deferred Share Units for cash	13	33,158	(33,158)	-	-	-	-
Fair value adjustment of Deferred Share Units		-	24,285	-	-	-	24,285
Share incentive compensation	14	-	-	38,208	-	-	38,208
Issuance costs of common shares, December 4, 2014	12	(56,824)	-	-	-	-	(56,824)
<i>Comprehensive Income (Loss)</i>							
Other comprehensive gain		-	-	-	1,197,567	-	1,197,567
Net loss for the period		-	-	-	-	(1,388,707)	(1,388,707)
Balances, June 30, 2015		\$ 200,616,810	\$ 391,187	\$ 9,317,546	\$ (16,907,442)	\$ (20,376,963)	\$ 173,041,138
<i>Transactions with Shareholders</i>							
Issuance of Deferred Share Units	13	-	108,069	-	-	-	108,069
Fair value adjustment of Deferred Share Units		-	(21,849)	-	-	-	(21,849)
Share incentive compensation	14	-	-	35,919	-	-	35,919
<i>Comprehensive Income (Loss)</i>							
Other comprehensive gain		-	-	-	(5,823,141)	-	(5,823,141)
Net loss for the period		-	-	-	-	60,916	60,916
Balances, September 30, 2015		\$ 200,616,810	\$ 477,407	\$ 9,353,465	\$ (22,730,583)	\$ (20,316,047)	\$ 167,401,052
<i>Transactions with Shareholders</i>							
Issuance of Deferred Share Units	13	-	210,205	-	-	-	210,205
Fair value adjustment of Deferred Share Units		-	(70,650)	-	-	-	(70,650)
Repurchases under normal course issuer bid	12	(1,010,830)	-	-	-	348,736	(662,094)
Share incentive compensation	14	-	-	78,082	-	-	78,082
<i>Comprehensive Income (Loss)</i>							
Other comprehensive gain		-	-	-	352,172	-	352,172
Net investment hedge - net income		-	-	-	1,017,457	-	1,017,457
Net loss for the period		-	-	-	-	(10,728,464)	(10,728,464)
Balances, June 30, 2016		\$ 199,605,980	\$ 616,962	\$ 9,431,547	\$ (21,360,954)	\$ (30,695,775)	\$ 157,597,760
<i>Transactions with Shareholders</i>							
Issuance of Deferred Share Units	13	-	74,586	-	-	-	74,586
Fair value adjustment of Deferred Share Units		-	(19,677)	-	-	-	(19,677)
Repurchases under normal course issuer bid	12	(14,152)	-	-	-	4,864	(9,288)
Share incentive compensation	14	-	-	19,736	-	-	19,736
<i>Comprehensive Income</i>							
Other comprehensive gain		-	-	-	(1,244,997)	-	(1,244,997)
Net income for the period		-	-	-	-	(1,355,943)	(1,355,943)
Balances, September 30, 2016		\$ 199,591,828	\$ 671,871	\$ 9,451,283	\$ (22,605,951)	\$ (32,046,854)	\$ 155,062,177

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

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2016

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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. In addition, on April 1, 2014, Ceres Global Ag Corp. amalgamated with Riverland Agriculture Ltd. and Ceres Canada Holding Corp. Thereafter, the amalgamated corporations continued operating as Ceres Global Ag Corp. Ceres is a corporation domiciled in Canada, with its head office located at 1660 South Highway 100, Suite 350, St. Louis Park, Minnesota, United States, 55416.

These interim condensed consolidated financial statements of Ceres as at and for the three-month period ended September 30, 2016 and 2015 include the accounts of Ceres and its wholly owned subsidiaries Ceres U.S. Holding Corp. and Riverland Ag Corp. (“Riverland Ag”). All intercompany transactions and balances have been eliminated. In combination with Riverland Ag, the Corporation 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 provinces of Ontario and Saskatchewan, with a combined licensed capacity of 43 million bushels.

The Corporation has one reportable segment while having two operating segments: (1) grain trading, handling and storage, and; (2) logistics, which includes transloading non-grain commodities on behalf of third-party customers. With the exception of \$223,863 of revenue recognized for the three-month period ended September 30, 2016 (2015: \$91,818), all of the Corporation’s revenues for the three-month periods ended September 30, 2016 and 2015 are generated through grain trading, handling and storage, which total \$155,927,361 (2015: \$72,955,838).

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 International Accounting Standards (“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 board of the directors of the Corporation (the “Board of Directors”) on November 9, 2016.

Fiscal year

On February 10, 2016, the Board of Directors approved a change in the fiscal year from April 1 to March 31 to July 1 to June 30. As a result of the change, the Corporation had a fifteen month fiscal year which was reported in the Corporation’s annual report for the fiscal-year ending June 30, 2016.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in United States Dollars (“USD”), which is different from the Corporation’s functional currency of Canadian Dollars (“CAD”). This represents a change in accounting policy and is the first period the Company has used USD as a presentation currency. These interim condensed consolidated financial statements follow the same accounting principles as those outlined the notes to the annual financial statements for the fifteen-month period ended June 30,

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2016 except for the change of the presentation currency from the CAD to the USD as explained in the section below.

Effective July 1, 2016 the Corporation changed its presentation currency from the CAD to the USD. The change in presentation currency is to better reflect the Corporation's business activities. There has been no change to Ceres' functional currency (CAD) or its subsidiaries functional currencies (USD). In making this change to the USD presentation currency, the Corporation followed the guidance in IAS 21 The Effects of Changes in Foreign Exchange Rates and has applied the change retrospectively as if the new presentation currency had always been the Corporation's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new USD presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new USD presentation currency using the closing current exchange rate at the date of each balance sheet;
- Income and expenses for each statement of comprehensive loss presented have been retranslated at average exchange rates prevailing during each reporting period;
- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment listed as Accumulated Other Comprehensive Income on the Balance Sheet).

In additions to the comparative financial statements, the Company has presented a third statement of financial position as at April 1, 2015 as required by IFRS upon application of a voluntary change in accounting policy.

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 balance sheet:

- 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements should be read in conjunction with Ceres' audited consolidated financial statements for the fifteen-month period ended June 30, 2016. The Corporation's significant accounting policies were presented in Note 3 of those audited financial statements.

4. STANDARD ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Corporation's interim consolidated financial statements are listed below. This listing of standards and interpretations issued includes those that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

IFRS 9 – Financial Instruments

On July 24, 2014, the IASB issued the final version of IFRS 9, which replaces *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The new standard introduces requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and the fair value of an entity's own debt. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Ceres has not yet determined the impact of this standard on the Corporation's consolidated financial statements and has not decided whether to early adopt this standard.

IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, which provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more relevant disclosures. IFRS 15 supersedes *IAS 18 – Revenue*, *IAS 11 – Construction Contracts* and a number of revenue-related interpretations and applies to annual reporting periods beginning on or after January 1, 2018 although early adoption is permitted. Ceres has not yet determined the impact of this standard on the Corporation's consolidated financial statements and has not decided whether to early adopt this standard.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The new standard is effective for annual periods beginning on or after January 1, 2019. The Corporation intends to adopt IFRS 16 in its financial statements for its annual period beginning on July 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

5. DUE FROM BROKERS

"Due from brokers" represents unrealized gains and losses due from custodian brokers on commodity futures and options contracts in addition to margin deposits in the form of cash that are held by custodian brokers 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 Corporation executes its transactions and for which the Corporation intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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Amounts due from brokers represent the following:

	<u>September 30, 2016</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Margin deposits	\$ 4,745,062	\$ 5,453,861	\$ 5,161,959
Unrealized gains on futures contracts and options, at fair value	<u>191,781</u>	<u>128,518</u>	<u>2,114,710</u>
	4,936,843	5,582,379	7,276,669
Unrealized losses on futures contracts and options, at fair value	<u>(162,870)</u>	<u>(123,560)</u>	<u>(441,251)</u>
	\$ 4,773,973	\$ 5,458,819	\$ 6,835,418

6. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

The Corporation's financial assets and liabilities that are measured at fair value in the consolidated balance sheets are categorized by level according to the significance of the inputs used in making the measurements. The Corporation recognizes transfers between fair value measurements hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels in the three-month period ended September 30, 2016 and the fifteen-month period ended June 30, 2016.

The following table presents information about the financial assets and liabilities measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques used to determine such fair values.

	<u>September 30, 2016</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Portfolio investments	\$ -	\$ 2,691,668	\$ 645,452	\$ 3,337,120
Due from broker, unrealized gains on futures and options (Note 5)	191,781	-	-	191,781
Unrealized gains on open cash contracts (derivatives)	-	4,844,014	-	4,844,014
Due from broker, unrealized losses on futures and options (Note 5)	(162,870)	-	-	(162,870)
Unrealized losses on open cash contracts (derivatives)	-	(3,806,933)	-	(3,806,933)
Derivative warrant liability	-	(1,522)	-	(1,522)
Provision for future payments to Front Street Capital	-	(37,289)	-	(37,289)
	<u>\$ 28,911</u>	<u>\$ 3,689,938</u>	<u>\$ 645,452</u>	<u>\$ 4,364,301</u>

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	June 30, 2016			Total
	Level 1	Level 2	Level 3	
Portfolio investments	\$ -	\$ 2,729,868	\$ 654,801	\$ 3,384,669
Due from broker, unrealized gains on futures and options (Note 5)	128,518	-	-	128,518
Unrealized gains on open cash contracts (derivatives)	-	5,106,168	-	5,106,168
Due to Broker, unrealized losses on futures and options (Note 5)	(123,560)	-	-	(123,560)
Unrealized losses on open cash contracts (derivatives)	-	(2,568,309)	-	(2,568,309)
Derivative warrant liability	-	(104,971)	-	(104,971)
Provision for future payments to Front Street Capital	-	(73,325)	-	(73,325)
	\$ 4,958	\$ 5,089,431	\$ 654,801	\$ 5,749,190

(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, 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 September 30, 2016 and June 30, 2016, the Corporation's market risk pertaining to portfolio investments was potentially affected by changes in actual market prices. As at September 30, 2016 and June 30, 2016, 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.

The following is a summary of the effect on the results of operations of the Corporation for the three month period ended September 30, 2016 and the fifteen month period ended June 30, 2016, if the fair value of each of the portfolio investments as at September 30, 2016 and June 30, 2016 had increased or decreased by 10%, with all other variables remaining constant:

	September 30, 2016		June 30, 2016	
	(Increase) decrease in net loss	(Increase) decrease in loss per share	(Increase) decrease in net loss	(Increase) decrease in loss per share
Change in fair value of investments				
10% increase in fair value	\$ 333,712	\$ 0.01	\$ 338,447	\$ 0.01
10% decrease in fair value	\$ (333,712)	\$ (0.01)	\$ (338,447)	\$ (0.01)

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Commodity risk

The following is a summary of the effect on the results of operations of the Corporation for the three month period ended September 30, 2016 and the fifteen month period ended June 30, 2016, if the fair value of each of the open cash contracts as at September 30, 2016 and June 30, 2016 had increased or decreased by 5%, with all other variables remaining constant:

	<u>September 30, 2016</u>		<u>June 30, 2016</u>	
	(Increase) decrease in net loss	(Increase) decrease in loss per share	(Increase) decrease in net loss	(Increase) decrease in loss per share
<u>Change in bid/ask prices of commodities</u>				
5% increase in bid-ask prices	\$ (799,337)	\$ (0.03)	\$ 289,325	\$ 0.01
5% decrease in bid-ask prices	\$ 799,337	\$ 0.03	\$ (289,325)	\$ (0.01)

Interest rate risk

As at September 30, 2016 and June 30, 2016, Ceres has no long or short portfolio positions in any interest-bearing investment securities.

As at September 30, 2016 and June 30, 2016, 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 September 30, 2016 and June 30, 2016, 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.

As disclosed in Note 8 (Credit Facility and Financing), as at September 30, 2016 and June 30, 2016, the Corporation's Credit Facility (as defined herein) bears interest at an annual rate of 2.875% plus overnight LIBOR. As at September 30, 2016, 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.

Furthermore, as at September 30, 2016 and June 30, 2016, the Corporation's term loan bears interest at an annual rate of 5.25% plus one month LIBOR. As at September 30, 2016, 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 term loan were to increase by 25 bps as at those dates respectively, using the balance of the term loan payable as at those dates, using the number of shares then issued and outstanding, and with all other variables remaining constant.

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On that basis, the potential effects on the result of operations for the three-month period ending September 30, 2016 and the fifteen-month period ending June 30, 2016 would be as follows:

	<u>September 30, 2016</u>		<u>June 30, 2016</u>	
	<u>Increase in net loss</u>	<u>Increase in loss per share</u>	<u>Increase in net loss</u>	<u>Increase in loss per share</u>
<u>Change in interest rate on revolving facility</u>				
25 bps increase in annual interest rate	\$ (18,424)	\$ (0.00)	\$ (17,427)	\$ (0.00)
<u>Change in interest rate on term loan</u>				
25 bps increase in annual interest rate	\$ (5,254)	\$ (0.00)	\$ (4,925)	\$ (0.00)

Currency risk

In the normal course of business, Ceres may hold assets or have liabilities denominated in currencies other than USD.

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

As at September 30, 2016 and June 30, 2016, the following is a summary, at fair value, of Ceres' exposure to significant currency risks:

<u>Currency</u>	<u>September 30, 2016</u>	<u>June 30, 2016</u>
	<u>Net asset (liability) exposure</u>	<u>Net asset (liability) exposure</u>
Canadian Dollars	\$ (2,331,007)	\$ (1,966,807)

The following is a summary of the effect on Ceres' results of operations for the three month period ended September 30, 2016 and the fifteen month period ended June 30, 2016 if the USD had become 5% stronger or weaker against the CAD as at September 30, 2016 and June 30, 2016, with all other variables remaining constant, related to assets and liabilities denominated in foreign currencies:

	<u>September 30, 2016</u>		<u>June 30, 2016</u>	
	<u>(Increase) decrease in net loss</u>	<u>(Increase) decrease in loss per share</u>	<u>(Increase) decrease in net loss</u>	<u>(Increase) decrease in loss per share</u>
<u>Change in foreign exchange rate</u>				
USD 5% stronger	\$ (111,000)	\$ (0.00)	\$ (62,786)	\$ (0.00)
USD 5% weaker	\$ 122,685	\$ 0.00	\$ 137,637	\$ 0.01

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Currency risk for Ceres relates to grain transactions denominated in a currency other than USD and the translation of its accounts from the functional currency CAD to the presentation currency USD for the purposes of the consolidated financial reporting of Ceres. Adjustments related to the translation of accounts from the functional currency to the presentation currency are included as other comprehensive income (loss) and have no effect on the determination of net income for the reporting period.

Other financial instruments

The carrying values of cash and cash equivalents, accounts receivable, bank indebtedness, account payable and accrued liabilities approximate their fair values as at September 30, 2016 due to the short-term nature of these instruments. The carrying value of long-term debt approximates fair value as at September 30, 2016.

7. PROPERTY, PLANT AND EQUIPMENT

	<u>September 30, 2016</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Buildings and silos/elevators	\$ 83,616,244	\$ 79,349,445	\$ 56,290,655
Machinery and equipment	23,401,091	23,449,513	5,110,713
Furniture, fixtures, computers, office equipment & other assets	3,876,874	3,709,467	2,736,202
Land	22,465,390	22,708,494	23,311,179
Construction in progress	5,900,426	3,266,374	17,750,132
	<u>139,260,025</u>	<u>132,483,293</u>	<u>105,198,881</u>
Less: accumulated depreciation	<u>(19,717,992)</u>	<u>(13,666,253)</u>	<u>(9,921,173)</u>
	<u>\$ 119,542,034</u>	<u>\$ 118,817,040</u>	<u>\$ 95,277,708</u>

As at September 30, 2016, property, plant and equipment additions accrued but not yet paid totaled \$3,371,200 (as at June 30, 2016: \$4,391,103). In addition, as at September 30, 2016, the Corporation had assets under construction of \$5,900,426 (June 30, 2016: \$3,266,374) consisting primarily of the fertilizer storage infrastructure at Northgate.

8. CREDIT FACILITY AND FINANCING

On December 18, 2015, the Corporation amended its uncommitted \$120,000,000 credit facility (the "Credit Facility"), which now expires on December 18, 2016. Borrowings bear an interest rate dependent on the facility utilization level: at any time the utilization level is less than 50%, overnight LIBOR plus 2.875% per annum, and at any time that the utilization level is greater than or equal to 50%, overnight LIBOR plus 2.750% per annum. Interest is calculated and paid on a monthly basis. The Credit Facility is subject to borrowing base limitations. Amounts under the Credit Facility that remain undrawn are not subject to a commitment fee. The Credit Facility has certain covenants pertaining to the accounts of the Corporation.

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As at September 30, 2016, June 30, 2016 and April 1, 2015, the carrying amount of bank indebtedness is summarized as follows:

	<u>September 30, 2016</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Revolving line of credit	\$ 54,000,000	\$ 55,000,000	\$ 15,000,000
Unamortized financing costs	(124,692)	(249,383)	(179,244)
Cheques issued in excess of cash on hand	538,726	833,483	-
	<u>\$ 54,414,034</u>	<u>\$ 55,584,100</u>	<u>\$ 14,820,756</u>

In addition, the Corporation has a secured term loan facility agreement for \$25,000,000 with a term of 5 years, an interest rate of one month LIBOR plus 5.25%. On November 17, 2015, immediately following the closure of the sale of Electric Steel, the Corporation used the net sales proceeds to repay a portion of its outstanding term debt. The total amount repaid on the term debt was \$1,357,621. The next principal payment on the term loan is payable on December 29, 2016 for the amount of \$1,642,379 with following principal payments of \$5,000,000 payable on each of December 29, 2017, and December 28, 2018, and \$12,000,000 payable on December 27, 2019. The loan has an effective interest rate of 6.21% plus one month LIBOR.

As at September 30, 2016, June 30, 2016 and April 1, 2015, the carrying amount of the term loan is summarized as follows:

	<u>September 30, 2016</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Total term debt	\$ 23,642,379	\$ 23,642,379	\$ 25,000,000
Unamortized financing costs	(693,331)	(740,734)	(967,956)
	<u>22,949,048</u>	<u>22,901,645</u>	<u>24,032,044</u>
Less: Current portion of long-term debt	(22,949,048)	(1,642,379)	-
Long-term debt	<u>\$ -</u>	<u>\$ 21,259,266</u>	<u>\$ 24,032,044</u>

As at September 30, 2016, the Corporation was unable to fulfill its interest coverage ratio financial covenant as required under its term loan facility agreement. Subsequent to September 30, but prior to the issuance of the Interim Condensed Consolidated Financial Statements, Ceres received an irrevocable waiver of the covenant violation from its lender, and as a result, the lender cannot demand payment of the debt as a result of the breach.

However, while the waiver of the September 30, 2016 financial covenant occurred subsequent to September 30, 2016, but prior to the issuance date, IFRS requires this liability to be classified as current since the Corporation did not have an unconditional right at the balance sheet date to defer the settlement of the debt for at least 12 months.

Therefore, the term loan less unamortized financing cost are classified within “Current portion of long-term debt” on the Interim Condensed Consolidated Balance Sheet as at September 30, 2016. The Corporation expects that the debt will be repaid in accordance with the original payment terms described above.

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9. FINANCE INCOME (LOSS)

The following table presents realized and unrealized gain (loss) on foreign exchange and the revaluation of portfolio investments for the three-months ended September 30, 2016 and September 30, 2015:

Three months ended September 30,	<u>2016</u>	<u>2015</u>
Realized and unrealized loss on foreign exchange	\$ 162,406	\$ 113,108
Realized and unrealized gain on currency hedging	7,915	(34,779)
Revaluation of portfolio investments	-	1,031,658
	<u>\$ 170,321</u>	<u>\$ 1,109,987</u>

As at June 30, 2015, the Corporation held a 25% equity interest in Canterra Seeds Holdings, Ltd. (“Canterra” or “the Investee”) that had a carrying value of \$1,755,518. This investment, accounted for using the equity method, was classified on the Consolidated Balance Sheet as “Investments in associates”. During the quarter ended September 30, 2015, the Investee issued additional common equity shares, resulting in the dilution of the Corporation’s equity interest to 17% and the Corporation no longer having a significant influence over the financial and operating policies of the Investee. Therefore, during the three month period ended September 30, 2015, Ceres reclassified its investment to portfolio investments and recorded it at fair value, recognizing a gain of \$1,031,658 classified within the Statement of Comprehensive Loss as “Finance income”.

10. INTEREST EXPENSE

The following table presents interest income (expense) for the three-month period ended September 30, 2016 and 2015:

Three months ended September 30	<u>2016</u>	<u>2015</u>
Interest on revolving line of credit	\$ (427,429)	\$ (327,192)
Interest on term debt	(354,646)	(333,095)
Amortization of financing costs paid	(172,095)	(104,286)
Interest income and other interest expense	-	40,428
	<u>\$ (954,170)</u>	<u>\$ (724,145)</u>

11. DERIVATIVE WARRANT LIABILITY

In connection with the completion of the Corporation’s rights offering (the “Rights Offering”), on December 4, 2014, Ceres issued an aggregate of 2,083,334 warrants (the “Warrants”) to the stand-by purchasers. The Warrants issued were conditional upon approval at the Corporation’s annual general meeting (“AGM”), which was obtained at the AGM on August 7, 2015.

Furthermore, the Warrants were issued at a fixed exercise price of CAD \$5.84 and are each exercisable into one common share of the Corporation (a “Common Share”). The Warrants have an expiry date of December 4, 2016, being 24 months after issuance. In the event that the Warrants are being exercised prior to the

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completion of a change of control of the Corporation, but after a transaction that will result in such a change of control has been publicly announced, in lieu of exercising the Warrants, the holders of Warrants can elect a cashless exercise to receive Common Shares equal to: the difference between the ten-day Volume-Weighted Average Price (“VWAP”) of the Corporation’s stock price and \$5.84; multiplied by the number of Common Shares in respect of which the election is made; divided by the ten-day VWAP of the Corporation’s stock price. If a Warrant holder exercises this option, there will be variability in the number of shares issued per Warrant.

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in the fair value recognized in the statement of operations and comprehensive loss at each period end. If the Warrants are exercised and converted to Common Shares, or are extinguished upon the expiration of the outstanding Warrants, it will not result in the outlay of any cash by the Corporation.

As at September 30, 2016, the fair value of the Warrants is estimated using the Black-Scholes pricing model with the following assumptions: an average risk free interest rate of 0.51%; an average expected volatility factor of 13.20%; an expected dividend yield of nil; and expected remaining life of 0.18 years. The fair value of the stand-by warrants at September 30, 2016, was estimated at \$1,522 (as at June 30, 2016: \$104,971).

12. SHAREHOLDERS’ CAPITAL

During the three-month period ended September 30, 2016, the Corporation purchased Shares under normal course issuer bids, 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 common shares. On June 9, 2016, Ceres announced a normal course issuer bid (“the 2016-2017 NCIB”) which commenced on June 12, 2016. Using the facilities of the TSX and in accordance with its rules and policies, Ceres intends to purchase up to a maximum of 1,595,765 of its Common Shares, representing approximately 10 percent of its unrestricted public float as of June 2, 2016, subject to a maximum aggregate purchase price of \$5 million pursuant to restrictions under the Corporation’s Credit Facility. The 2016-2017 NCIB will conclude on the earlier of the date on which purchases under the 2016-2017 NCIB have been completed and June 11, 2017. Ceres may purchase up to a daily maximum of 2,119 Common Shares under the 2016-2017 NCIB, except for purchases made in accordance with the “block purchase” exception under applicable Toronto Stock Exchange (“TSX”) rules and policies.

During the three months ended September 30, 2016, the Corporation purchased a total of 2,400 common shares under the normal course issuer bid for aggregate cash consideration of \$9,288. The stated capital value of these repurchased Shares was \$14,152. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$4,864, was allocated to Retained Earnings in the three-month period ended September 30, 2016.

During the three-month period ended September 30, 2015, the Corporation did not purchase any Shares under any Normal Course Issuer Bid.

As at September 30, 2016, directors and officers of the Corporation, through a controlled entity, beneficially own, directly or indirectly, or exercise control or direction over 40.8% of the outstanding Common Shares (compared to 40.7% as at June 30, 2016).

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Authorized capital of Ceres consists of an unlimited number of common shares. Changes to shareholders' capital were as follows:

	Number of shares	Amount
Balances, April 1, 2015	27,050,673	\$ 200,640,476
Redemption of deferred share units	6,982	33,158
Share issuance costs	-	(56,824)
Repurchases under normal course issuer bid	(168,600)	(1,010,830)
Balances, June 30, 2016	26,889,055	199,605,980
Repurchases under normal course issuer bid	(2,400)	(14,152)
Balances, September 30, 2016	26,886,655	\$ 199,591,828

13. DEFERRED SHARE UNITS

The following table summarizes the information related to deferred share units ("DSUs"):

	July 1, 2016 to September 30, 2016	April 1, 2015 to June 30, 2016
	Number of DSUs	Number of DSUs
Deferred share units, beginning of period	142,717	52,813
Granted	18,911	96,888
Redeemed	-	(6,983)
Balance, end of period	161,628	142,717

14. STOCK OPTION PLAN

During the three months ended September 30, 2016, Ceres granted stock options ("options") under the Corporation's stock option plan to certain officers and employees of the Corporation. The exercise price is fixed by the Board of Directors at the time of grant; provided that the exercise price shall not be less than fair market value of the common shares.

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As at September 30, 2016, the outstanding Options are as follows:

	Number of Options	Weighted-average exercise price (CAD)	Weighted- average Remaining Contractual Term (Years)
Outstanding as at April 1, 2015	-	\$ -	-
Granted	322,500	6.72	5.00
Exercised	-	-	
Expired/forfeited	(44,169)	6.25	
Outstanding as at June 30, 2016	278,331	\$ 6.71	4.53
Exercisable as at June 30, 2016	64,500	\$ 6.72	4.53
Outstanding as at June 30, 2016	278,331	\$ 6.71	4.53
Granted	812,826	5.84	5.00
Exercised	-	-	
Expired/forfeited	-	-	
Outstanding as at September 30, 2016	1,091,157	\$ 6.06	4.63
Exercisable as at September 30, 2016	276,260	\$ 6.21	4.39

At the grant date, the fair value of the Options is estimated using the Black-Scholes pricing model with the following weighted-average assumptions: an average risk free interest rate of 0.76%; expected volatility of 26.26%; dividend yield of nil; an average expected option life of 3.5 years; five year vesting period; and average exercise price of CAD \$6.09. The weighted average grant date fair value of the Options granted during the three months ended September 30, 2016, is CAD \$0.96 (three months ended September 30, 2015: CAD \$1.47).

The total Option compensation cost that has been included in general and administrative expenses for the three months ended September 30, 2016, amounted to \$19,736 (three months ended September 30, 2015: \$35,919) with the non-cash expense being accrued and classified within contributed surplus in the Interim Condensed Consolidated Balance Sheet.

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15. CHANGES IN NON-CASH WORKING CAPITAL ACCOUNTS

Three months ended September 30	2016	2015
Decrease (increase) in due from broker	\$ 684,846	\$ (2,952,409)
Decrease in net derivative assets	1,498,337	923,140
(Increase) decrease in accounts receivable	(3,214,108)	3,765,528
Increase in inventories	(7,395,161)	(14,442,501)
(Increase) decrease in sales taxes recoverable	(135,086)	592,019
(Increase) decrease in prepaid expenses and sundry assets	(43,697)	624,003
Increase in accounts payable and accrued liabilities	13,646,572	6,441,581
	\$ 5,041,703	\$ (5,048,639)

16. KEY MANAGEMENT COMPENSATION

The remuneration of key management personnel of the Corporation, which includes both members of the Board of Directors and leadership team including the President and CEO, CFO and vice presidents, is set out below in aggregate:

Three months ended September 30	2016	2015
Salary and short-term employee/director benefits	\$ 255,059	\$ 300,074
Share-based compensation	70,893	112,441
	\$ 325,952	\$ 412,515

17. CONTINGENCIES AND COMMITMENTS

(a) Legal

The Corporation is involved in various legal claims and legal notices arising in the ordinary course of business. The Corporation believes it has adequately assessed each claim, and the necessity of a provision for such claims. As at September 30, 2016 and June 30, 2016, the Corporation has no provision for any contingent liabilities.

During the year ended March 31, 2014, Ceres terminated its arrangements and ongoing discussions with The Scoular Company (“Scoular”) as a potential development partner with respect to the development and construction of a grain facility at NCLC. The termination of discussions with Scoular may have implications for any amounts to be collected from the potential partner and amounts previously paid to Ceres by Scoular in respect to a certain portion of NCLC site preparation costs under a 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 fiscal year ended March 31, 2015, Scoular initiated an action against the Corporation for injunctive relief and unspecified damages relating to the development and construction of a grain facility at NCLC.

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As of the date hereof, the Corporation, based on the advice of its litigation counsel, does not believe that the claims alleged by Scoular have any legal merit, and therefore, the Corporation intends to vigorously defend the lawsuit. Prior to the termination of its relationship with Scoular, the counterparty paid CAD \$3,899,146 in costs related to the project. The Corporation does not believe that the counterparty is entitled to any of these costs based on the legal relationship that existed at the time and based on the claims alleged in the counterparty's complaint. The outcome of this complaint is difficult to assess or quantify. Scoular 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.

(b) Commitments

Capital expenditures contracted but not yet incurred are as follows:

	September 30, 2016	June 30, 2016
Property, plant and equipment	\$ 6,253,441	\$ 9,179,184